

Chapter 1 Contract

NewRez Client Guide governs our business relationship. This Client Guide sets forth the terms and conditions for selling Loans to NewRez. Loans sold to NewRez must conform to all requirements of this Client Guide.

100 Client Contractual Obligations

By signing the Client Contract, Client is bound by the requirements of this Client Guide. This Client Guide, the Client Contract, the applicable Commitment Letter, and any other Program Documents govern the sale of Loans by Client to NewRez.

101 Single Contract

This Client Guide sets forth the terms and conditions upon which a Client will sell mortgage Loans to NewRez. NewRez maintains a contractual relationship with each entity with which it does business as a Client. Failure of a Client to perform obligations under this Client Guide constitutes a default under this Client Guide and permits NewRez to disqualify such Client as a Client and permits NewRez to terminate its entire relationship with that entity.

102 Descriptions of Underlying Chapter

[Chapter 1A, Rules of Interpretation and Miscellaneous](#)

[Chapter 1B, Client Eligibility](#)

[Chapter 1C, Representations, Warranties and Covenants](#)

[Chapter 1D, Defaults, Remedies, and Early Pay Off](#)

[Chapter 1E, Terms of Use and Electronic Services](#)

Chapter 1A Rules of Interpretation and Miscellaneous**A100 Rules of Interpretation****A. Defined Terms; General Rules of Interpretation**

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

B. Headings for Convenience

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

C. “Knowledge” Standard

Whenever any representation, warranty, or other statement contained in the Client Guide or the Program Documents is qualified by reference to a Client’s “knowledge, or “to the best of” a party’s “knowledge”, such “knowledge” shall be deemed to include knowledge of facts or conditions of which Client, including any of its directors, officers, agents or employees, either is actually aware or should have been aware under the circumstances with the exercise of reasonable care, due diligence, and competence in discharging its duties under this Client Guide or the Program Documents or in conducting its business. All matters of public record shall be deemed to be known by Client. Any representation or warranty that is inaccurate or incomplete in any material respect is presumed to be made with the knowledge of Client, unless Client demonstrates otherwise. “Due diligence” means that care which Client would exercise in obtaining and verifying information for a Loan in which Client would be entirely dependent on the mortgaged property or mortgagor’s credit as security to protect its investment.

D. NewRez’s Sole Discretion

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

E. NewRez’s Sole Opinion

Whenever any provision of this Client Guide or any Program Document requires or allows NewRez to make a determination of its opinion, such determination shall be made in NewRez’s sole opinion.

A101 Miscellaneous**A. Notice**

All notices sent under this Client Guide or the Program Documents must be in writing. NewRez may send notice to Client by first class United States mail with postage prepaid, overnight courier, fax, or email, to the addresses specified in the Client Contract, or to any other physical address, fax machine or email address used by Client to communicate with NewRez. Client must send notice to NewRez by email or by first class United States mail with postage prepaid, or overnight courier to the appropriate address specified below:

NewRez LLC
Business Credit Management
1100 Virginia Drive, Suite 125
Ft. Washington, PA 19034
lendermgt@newrez.com

B. Updates and Amendments

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

C. Client Guide Online

This Client Guide, including all updates, is available to Clients at corr.newrezcorrespondent.com. In the event of any conflict between a hard copy of this Client Guide and the online version of this Client Guide, the online version will control.

D. Financial Information

All financial statements and reports furnished to NewRez under the Client Guide and Program Documents must be prepared in accordance with GAAP, applied on a basis consistent with that applied in preparing financial statements as of the end of and for Client's most recent fiscal year (except to the extent otherwise required to conform to good accounting practice).

E. Consent to Credit References

Client consents to the disclosure of information regarding Client and its subsidiaries and their relationship with NewRez to persons making credit inquiries to NewRez.

F. Consent to Information Sharing with NewRez Affiliates

Client consents to the disclosure by NewRez to any of its affiliates of any and all information regarding Client and its affiliates and their relationships with NewRez and any of its affiliates.

G. Use of Client's Name

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

H. Use of NewRez's, Trade Names, and Service Marks

Client must not use the trade name "NewRez", "or any of the trade names or service marks of any of the foregoing in any of Client's promotional or other materials without the prior written consent of NewRez. As consideration for granting consent, Client agrees to indemnify NewRez from and hold it harmless against any loss, damage or expense, including those incurred in defending any action or proceeding which results from its use of such name, trade name or service mark.

I. Relationship of Parties Under this Client Guide

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

by this Client Guide and made its own independent decisions with respect to the Client Contract, the Client Guide, the Program Documents and any related transactions.

J. Power of Attorney

Client hereby constitutes NewRez as attorney in fact for Client, and in Client's name and stead to endorse promissory notes from Client to NewRez and execute assignments from Client to NewRez of mortgages, deeds of trust, deeds to secure debt and other security instruments securing said promissory notes for any mortgage loan sold by Client to NewRez granting unto NewRez full power and authority to do and perform each of the actions set out above as fully as Client itself could or might do. Client may only revoke this power of attorney in writing and only upon the expiration of three (3) years from the effective date of the Client Contract's termination in accordance with the Client Contract's terms, and this power of attorney is a power coupled with an interest for such purposes. Client agrees to execute one or more copies of a separate power of attorney document consistent with the foregoing upon NewRez's request.

K. Client's Responsibility

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

L. Discretionary Relationship

The relationship between NewRez and Client is a discretionary relationship. Client is under no obligation to sell Loans to NewRez or to refer loans to NewRez for underwriting and NewRez is under no obligation to buy Loans from Client unless Client and NewRez have entered into a separate binding commitment to sell and purchase specific Loans.

M. Confidentiality

As a result of its relationship with NewRez and access to this Client Guide and its incorporated references, Client will learn or have access to various trade secrets, confidential and proprietary methods, techniques, processes, applications, approaches, products, programs, policies, practices and procedures in various forms, which information is used or is useful in the conduct of NewRez's business, including NewRez's purchase, sale and servicing of mortgage products (all such information is collectively referred to as "Confidential Information"). Client acknowledges that such Confidential Information is the exclusive property of NewRez.

Client shall (1) protect such Confidential Information with at least the same degree of care that it uses to protect its confidential information, but in no event less than a reasonable standard of care, and (2) not, at any time, regardless of if, when, and how its relationship with NewRez may terminate, directly or indirectly, disclose, publish, reveal, disseminate, or otherwise make available to anyone such Confidential Information, except to the extent required by applicable law. If Confidential Information is required to be disclosed by Client pursuant to applicable law (including via subpoena, written interrogatories or document production request) or to a governmental entity having authority to regulate or oversee any aspect of the Client's business, Client shall formally request that such information be treated in confidence and (i) provide NewRez with written notice of the required disclosure promptly upon receipt of notice of the required disclosure, to the extent such notice is permitted by law, (ii) disclose only that portion of the Confidential Information that is legally required to be furnished, and (iii) cooperate with NewRez in an effort to limit the nature and scope of such required disclosure.

N. Privacy of Consumer Financial Information

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

Data Security:

1. **Safeguards:** Client and NewRez will maintain safeguards and take technical, physical and organizational precautions to ensure Consumer Information is protected against destruction, loss, alteration, unauthorized access by or disclosure to third parties while in the possession or under the control of Client, Client Agents, NewRez or NewRez agents. The objective of each such precaution will be to (i) ensure the security and confidentiality of Consumer Information, (ii) protect against any anticipated threats or hazards to the security or integrity of Consumer Information, and (iii) protect against unauthorized access to or use of Consumer Information that could result in substantial harm or inconvenience to any customer.
2. **Unauthorized Access to Consumer Information:**
 1. **Detection and Response to Security Breaches:** Client and NewRez will maintain sufficient procedures to detect and respond to any unauthorized possession, disclosure, use, or other security breaches involving Consumer Information.
 2. **Notification of Unauthorized Access:** Client and NewRez will, as soon as reasonably practicable, notify the other party of any unauthorized or attempted possession, disclosure, use or knowledge of Consumer Information when it becomes aware of it, including any material breach or potential material breach of security, on a system, LAN or telecommunications network which contains or processes Consumer Information.
 3. **Furnishing Details of Unauthorized Access:** Client and NewRez will, as soon as reasonably practicable, furnish to the other party full details of the unauthorized or attempted possession, disclosure, use or knowledge of Consumer Information, and use reasonable efforts to assist the other party in investigating or preventing the recurrence of any unauthorized or attempted possession, use or knowledge, of Consumer Information.
 4. **Cooperation:** Client and NewRez will cooperate to correct any unauthorized possession, disclosure, use, or other security breaches, and in any litigation and investigation deemed necessary to protect Consumer Information.
 5. **Recurrence:** Client and NewRez will use all reasonable efforts to prevent a recurrence of any unauthorized possession, use or knowledge of Consumer Information.

Confidentiality:

1. **Standard of Care:** Each Party will protect all Consumer Information with the same degree of care as it uses to avoid unauthorized use, disclosure, publication or dissemination of its own confidential information, but in no event, less than a commercially reasonable degree of care.
2. **Restricted Disclosure:** NewRez and Client may disclose Consumer Information to its agents, accountants, attorneys, and affiliates or subsidiaries (respectively, each Party's "Third Party Recipients") if reasonably necessary in performing its duties. Under this Agreement NewRez and Client agree that it will not disclose, release, or otherwise make available to any third party any Consumer Information without the other party's prior written consent; provided, however, that Client and NewRez are each responsible for any violation of these confidentiality obligations by its Third Party Recipients and will ensure that these individuals or entities are aware of these confidentiality obligations.

Chapter 1B Client Eligibility

B100 Client Eligibility

At its discretion, NewRez will approve Clients of NewRez as “approved in good standing.” Clients who are approved in good standing will be eligible to participate in NewRez's Loan Programs.

In order to become a Client, a mortgage Loan lender must, among other things:

1. Satisfy the NewRez Client eligibility standards.
2. Have its completed Client Application approved by NewRez.
3. Enter into Client Contract.
4. Deliver a certified Resolution of Board of Directors to NewRez and such other documents as required by NewRez.
5. Deliver three original Limited Power of Attorney documents to NewRez. The Limited Power of Attorney grants NewRez the authority to execute and/or correct documents for the purpose of assigning and transferring mortgage assets to NewRez. The use of the Limited Power of Attorney is restricted to those assets which Client has sold to NewRez.

In order to remain eligible to participate in NewRez's Loan Programs, Client must comply with all the terms of the Client Contract, including this Client Guide.

B101 Eligibility Standards

- A. Client must be in compliance with all capital requirements and hold without violation all applicable federal, state, and other licenses, authorizations, approvals and insurance (i.e., Fidelity Bond and Errors & Omissions Insurance) necessary to perform its obligations under the Client Contract in compliance with applicable law and secondary market requirements, and must be in compliance with other applicable requirements specified by any state or federal regulatory agency.
- B. Client must meet NewRez's GAAP tangible net worth requirements (GAAP tangible net worth is defined as GAAP total net worth minus any intangible assets). Contact your sales representative for current tangible net worth requirements.

Example:

Audited Book Net Worth at \$3,000,000

Intangible assets (from audited financial statements) minus \$250,000

Tangible Net Worth \$2,750,000

1. NewRez at its discretion, may require that an independent auditor review the Client's most recent annual financial statements and render an opinion on such financial statements.
2. Client must demonstrate an ability to originate mortgage Loans, which can be evidenced by:
 - Two years of conventional mortgage Loan originations
 - \$25 million in conventional mortgage Loan originations in the 12 months immediately preceding application
 - A staff knowledgeable in originating, quality control and, if applicable, selling mortgage Loans.
3. Client must make current and audited annual financial statements available to NewRez upon request. Client must also make interim or quarterly financial statements available to NewRez upon request.
4. Client must maintain adequate fidelity, errors, and omissions insurance coverage for its operations.
5. Client's Delinquency rates on all Loan production must be acceptable to NewRez in its discretion.
6. Client must adhere to prudent standards for mortgage Loan origination and have written policies and procedures for mortgage Loan origination, Loan document delivery requirements, and must have a quality control program.
7. Client's mortgage insurance claim experience must be acceptable to NewRez in its discretion.
8. On loans closed in Client's name and sold to NewRez Client must comply with the rules and procedures of MERS in connection with all Loans registered with MERS. If Client has been terminated, disqualified, suspended, or threatened

with termination, disqualification, or suspension by MERS, Client must demonstrate to NewRez's satisfaction that it has taken corrective action to remedy such termination, disqualification, or suspension

9. For Clients with conditional delegated underwriting authority, Client must be an approved Fannie Mae or Freddie Mac Seller in good standing.
10. On FHA Loans, Client and its sponsored third party originators (and any officer, partner, director, principal, manager, supervisor, loan processor, loan underwriter, or loan originator of Client or of its sponsored third party originators) has not been subject to the following sanctions or administrative actions:
 - Be suspended, debarred, under a limited denial or participation (LDP), or otherwise restricted under 2CFR part 2424 or 24 CFR part 25, or under similar procedures of any other Federal agency;
 - Be indicted for, or have been convicted of, an offense that reflects adversely upon the integrity, competency, or fitness to meet the responsibilities of the lender to participate in Department of Housing and Urban Development (HUD) Title I or Title II programs;
 - Be subject to unresolved findings as a result of HUD or other governmental audit, investigation, or review;
 - Be engaged in business practices that do not conform to generally accepted practices of prudent mortgagees or that demonstrate irresponsibility;
 - Be convicted of, or have pled guilty or *nolo contendere* to, a felony related to participation in the real estate or mortgage loan industry;
 - During the 7-year period preceding the date of the application for licensing or registration; or
 - At any time preceding such date of application, if such felony involved an act of fraud, dishonesty, or a breach of trust or money laundering;
 - Be in violation of provisions of the Secure and Fair Enforcement (SAFE) Mortgage Licensing Act of 2008 (12 U.S.C. 5101 *et seq.*) or any applicable provision of state law; or
 - Be in violation of any other requirement established by the Secretary of HUD.

B102 Client Contract

To participate in NewRez's Loan Programs, Client agrees to be bound and to abide by the procedures, terms, and conditions set forth in this Client Guide, as it may be amended or replaced from time to time.

B103 Client Underwriting Responsibilities

Client must ensure that Loans meet the eligibility and underwriting guidelines as outlined in this Client Guide. Client represents and warrants such compliance to NewRez.

Client is responsible for credit and property underwriting performed by it or by entities other than Client, which have been retained by Client to perform such underwriting on Client's behalf.

B104 Client Origination Responsibilities

Clients approved to submit eligible residential mortgage loan requests originated by Client for underwriting consideration by NewRez and, if approved, to be closed and funded in NewRez 's name, are responsible for performing the following broker services:

- Obtaining a completed residential loan application on a Fannie Mae/Freddie Mac approved application form signed by the applicant(s) who will execute a mortgage loan note and to whom, or for whose benefit, the entire proceeds of the mortgage loan will be disbursed, and obtaining all necessary documentation to be submitted to NewRez for underwriting consideration;
- Providing disclosures to the applicant as required by applicable law, including, without limitation, disclosures under federal and state laws that govern and regulate mortgage originator conduct;
- Ordering and analyzing credit reports;
- Running and analyzing Desktop Originator/Loan Product Advisor reports;
- Educating the applicant in the home-buying and financing process, advising the applicant about the different types of loan products available, and demonstrating how closing costs and monthly payments could vary under each product;
- Analyzing the applicant's income and debt and pre-qualifying the applicant to determine the mortgage loan amount that the applicant can afford;
- Collecting applicant financial information (e.g., tax returns, bank statements) and other related documents that are part of the application process;
- Initiating/ordering VOs (verifications of employment) and VODs (verifications of deposit), if applicable;
- Initiating/ordering requests for mortgage and other loan verifications, if applicable;
- Initiating/ordering appraisals;
- Uploading completed loan application packages to NewRez for NewRez underwriting consideration;
- Initiating/ordering inspections or engineering reports, if applicable;
- Assisting the applicant in identifying and understanding potential credit problems and obtaining letter(s) of explanation and/or clearing credit problems;
- Providing and discussing with the applicant any documents required by FHA or VA, if applicable;
- Maintaining regular contact with the applicant, real estate agent(s)/broker(s), and NewRez between application and closing to apprise them of the status of the application, gathering any additional information as needed and communicating any changes in the loan terms within a reasonable time frame;
- Ordering title reports; and
- Providing such other services as may be reasonably requested by NewRez for a particular transaction.

B105 Continuing Client Obligations

In order to remain eligible, Client must be active with NewRez in the preceding calendar year, maintain the initial eligibility standards or eligibility standards currently in effect, and comply with the continuing obligations as defined in this Client Guide. In addition, at NewRez's discretion NewRez reserves the right to amend any or all continuing eligibility standards for a Client based upon factors including Client's current financial strength, volume, performance, and license and background checks. Finally, NewRez may terminate the Loan sales relationship as set out in this Guide, even if Client is otherwise eligible.

B106 Disqualification, Suspension or Inactivation

See [Chapter 1D](#), Defaults and Remedies, Early Pay Off, of this Client Guide.

B107 Reporting Requirements**A. Reporting Requirements**

1. Interim Financial Statements

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

2. Annual Financial Statements

Upon NewRez's request, Client shall provide its annual audited financial statements, Form 10-Q, or any other financial information pertaining to Client.

3. Fidelity and Errors and Omissions Insurance

1. Client must notify NewRez if it receives notice from its insurer of intent to cancel, not renew, or otherwise modify Client's coverage. This notification must be sent to NewRez by registered mail at least 10 days before it becomes effective.
2. Client must report to NewRez all cases of material theft, embezzlement, or fraud and all claims made against the insurer within 10 days after the occurrence.
3. If requested by NewRez Client must provide current certificates of insurance outlining its fidelity bond and errors and omissions insurance.

B. Mailing Address

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

NewRez LLC
Business Credit Management
1100 Virginia Drive, Suite 125
Ft. Washington, PA 19034

C. Regulation AB Disclosures

1. Originator Disclosure

As requested by NewRez in its sole discretion, within three Business Days Client will provide to NewRez either

- a. The disclosures required under Item 1110(b) of Regulation AB (Originator disclosure) or any successor regulation for inclusion in a prospectus or other disclosure document, or
- b. A confirmation that previously provided disclosure does not require updating.
- c. "Originator disclosure" required to be provided shall include:
 - i. Client's form of organization,
 - ii. A description of Client's origination program and how long Client has been engaged in originating residential mortgage loans,
 - iii. Discussion of Client's experience in originating residential mortgage loans,
 - iv. Information regarding the size and composition of Client's origination portfolio and

- v. Client's underwriting criteria (or other information material to an analysis of the performance of the mortgage loans, as determined by NewRez).

As requested by NewRez in its sole discretion, within three Business Days, Client shall provide in a specified electronic format the name of the originator of each mortgage Loan if originated by an entity other than Client.

2. Legal Proceedings for Prospectus Disclosure or Update of Periodic Reports

As requested by NewRez in its sole discretion, within three Business Days of NewRez's request, Client will provide to NewRez (a) a complete written description of any legal proceedings pending against Client, or of which Client's property is the subject, that, if adversely determined, could have a material adverse impact on Client's financial condition or its continuing ability to sell mortgage Loans to NewRez or would affect the enforceability of any mortgage Loan (including any similar proceedings known by Client to be contemplated by governmental authorities) for inclusion in a prospectus or other disclosure document pursuant to Regulation AB or any successor regulation ("Legal Proceedings Description"), certified as to accuracy by an officer of Client, or (b) a written certification of an officer of Client stating that the previously provided Legal Proceedings Description does not require updating and continues to be complete and accurate as of such date.

3. Updates Regarding Legal Proceedings

If at any time any previously provided legal proceedings description is no longer current or requires updating, or if Client is the subject of new legal proceedings that would require disclosure under Item 1117 of Regulation AB or any successor regulation, Client will provide to NewRez a revised legal proceedings description, certified as to accuracy by an officer of Client.

4. Other Information Required under Regulation AB

Client will provide to NewRez such other information, including historical loan performance information, as NewRez shall reasonably request to enable NewRez to comply with any applicable requirements of Regulation AB or any successor regulation. Such information shall be provided within 15 days of request from NewRez.

5. Mailing Address for Regulation AB Disclosures

When NewRez requests any Regulation AB disclosure or information under this Section 206(D), it will provide to Client the address to which all such disclosure or information must be delivered.

B108 Audits and Inspections

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

- A. The Loans
- B. Client's compliance with the terms and provisions of the Client Contract, including this Client Guide

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

B109 Disclosure of Information

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

B110 Maintenance of Records

Client shall maintain adequate records of all Loans submitted to NewRez for purchase for such periods of time as may be necessary to comply with all applicable federal and state laws. In addition, Client shall maintain each file for a period of three years from the date the Loan is fully paid or, if the Loan is accelerated, for at least six years from the date the Loan is fully paid.

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

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

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

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

B111 Quality Control

A. Required Program

1. Internal Quality Control

Client must maintain an internal quality control program to ensure:

1. Accuracy of legal and origination documents
2. Soundness of underwriting decisions, if applicable
3. Detection of fraud and misrepresentation

4. Identification of systemic issues and their root causes
5. Monitoring of corrective action plans
6. Sound reporting procedures

The program must be supported by a written plan outlining the objectives and scope of the review and applicable policies and procedures. Upon request, Client must have the ability to produce a copy of the Quality Control Summary report, as provided to Client's senior management.

The Client must be knowledgeable of standard Agency and industry best practices regarding quality control requirements.

2. Sampling

Client's sampling process must include, but may not be limited to:

1. Random and high risk targeted selection
2. Loans that experience serious delinquencies
3. Post-closing review process that takes into account Agency requirements

3. Notice

If Client becomes aware of any of the following with respect to a Loan sold to NewRez: un-saleable Loan, material misrepresentation, or fraudulent activity of any nature; or if a variance is discovered that could materially and adversely affect the interests of NewRez or a defect that could trigger Client's repurchase obligation, Client must give prompt written notice setting forth the details of the discovery and any supporting documentation. This notice must be sent to:

lendermgt@newrez.com

B. Best Practices for Quality Control

1. Best Practices Described

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

1. Client's quality control staff is free from the influence of the production/origination, underwriting, and closing departments and reports directly to senior management.
2. Client's employees receive appropriate background checks prior to being hired and are aware of Client's code of conduct regarding fraud and appropriate handling of confidential consumer information. Employees and others have a means to report fraud and unethical behavior to Client, which will be objectively investigated.
3. Client maintains an active focus on preventive controls, such as pre-funding quality assurance and fraud reviews, fraud awareness training, and document and appraisal procurement policies.
4. Client makes appropriate use of current technology and tools in protecting itself from fraud, such as: independent sources of information about the Mortgaged Premises, comparables, and market; additional sources of information to validate appraised values; direct verifications of Social Security Number and IRS information; income reasonability models; public records information on parties to transactions; fraud risk scoring models; portfolio and pipeline analysis tools; etc.

B112 Notification of Changes in Client Status**A. Notification**

Client must notify NewRez prior to the occurrence of any of the following:

1. Any change in Client's business address and/or telephone number.
2. Any material increases in capital, alteration of debt/equity ratios, or changes in management ordered or required by a regulatory authority supervising or licensing Client.
3. Resignation of any senior management overseeing the origination, processing, underwriting, closing, and if applicable, secondary marketing operations of Client. Resumes of replacement personnel must be furnished within 30 days of such replacement.
4. Entry of any court judgment or regulatory order in which Client is or may be required to pay a claim or claims which may have a material adverse effect on Client's financial condition.
5. The winding up or dissolution of Client's business.

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

In addition, [Chapter 1D](#), Defaults, sets out a number of events which constitute defaults if Client fails to give NewRez proper

Chapter 1C Representations, Warranties, & Covenants**C100 Representations, Warranties, & Covenants**

Client acknowledges that NewRez has relied upon the accuracy, completeness and truth of Client's representations, warranties, and Client's ability to fulfill covenants, and upon Client's compliance with the agreements, requirements, terms and conditions set forth in the Client Contract, this Client Guide, and any Program Documents.

The representations, warranties, and covenants are absolute, and Client is fully liable for any breach of representation, warranty or covenant regardless of whether it or NewRez actually had, or reasonably could have been expected to obtain, knowledge of the facts giving rise to such breach of representation, warranty or covenant or whether the Client engaged, contracted with or employed by a third party correspondent in connection with the origination of the Loan.

The representations and warranties:

- Apply to each Loan in its entirety submitted and or sold to NewRez;
- On loans closed in Client's name and sold to NewRez are made as of the Funding Date, and continue after the purchase of the Loan;
- Are for the benefit of NewRez as well as the benefit of NewRez's successors and assigns.

NewRez reserves the right to require Client to make additional representations, warranties or covenants in writing.

C101 Representations and Warranties Concerning Client

Client represents, warrants and covenants to NewRez that, as of the effective date of the Client Contract and as of each Funding Date:

A. Due Organization and Authority

Client is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its formation, and has all licenses necessary to carry on its business as now being conducted and is licensed, qualified and in good standing in each state where a Mortgaged Premises is located if the laws of such state require licensing or qualification in order to conduct business of the type conducted by Client, and in any event Client is in compliance with the laws of any such state to the extent necessary to ensure the enforceability of the related Loan in accordance with the terms of the Program Documents; Client has the full power and authority to hold each Loan, to sell each Loan, to execute and deliver the Program Documents, and to perform its obligations hereunder; the execution, delivery and performance of the Program Documents (including all instruments of transfer to be delivered pursuant to the Program Documents) by Client and the consummation of the transactions contemplated hereby have been duly and validly authorized; the Program Documents have been duly executed and delivered and constitutes the valid, legal, binding and enforceable obligation of Client, except as the enforceability thereof may be limited by bankruptcy, receivership, insolvency or reorganization and similar laws and equitable principles affecting the enforceability of creditors' rights generally. All requisite corporate action has been taken by Client to make the Program Documents valid and binding upon Client in accordance with its terms.

B. Compliance with Laws

Client has complied with, and has not violated any law, ordinance, requirement, regulation, rule or order applicable to its business or properties, the violation of which might adversely affect the operations or financial conditions of Client, or the ability of Client to consummate the transactions contemplated by this Client Guide and the Program Documents.

C. Compliance with Client Guide and Program Documents

Client has complied with all applicable provisions of the Program Documents, and will promptly notify NewRez of any occurrence, act, or omission regarding Client, the Loan, the Mortgaged Premises or the Borrower, of which Client has knowledge, which occurrence, act, or omission may materially affect Client, the Loan, the Mortgaged Premises or the Borrower.

D. No Consent Required

No consent, approval, authorization or order of, registration or filing with, or notice to any court or governmental agency or body is required for the execution, delivery and performance by Client of or compliance by Client with the Program Documents or the sale of the Loans as evidenced by the consummation of the transactions contemplated thereby or, if required, such consent, approval, authorization or order has been or shall, prior to the related Funding Date, be obtained.

E. Ordinary Course of Business

The consummation of the transactions contemplated by the Program Documents are in the ordinary course of business of Client, who is in the business of selling and servicing mortgage loans, and the transfer, assignment and conveyance of the Notes and the Security Instruments by Client pursuant to the Program Documents are not subject to the bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction.

F. No Conflicts

The execution, delivery and performance of the Program Documents will not conflict with or result in a breach of any of the terms, conditions or provisions of Client's charter, by laws or other organizational documents or any legal restriction or any agreement or instrument to which Client is now a party or by which it is bound, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation in any material respect of any law, rule, regulation, order, judgment or decree to which Client or its property is subject, or result in the creation or imposition of any lien, charge or encumbrance that would have an adverse effect upon any of its properties pursuant to the terms of any mortgage, contract, deed of trust or other instrument, impair the value of the Loans, or impair the ability of NewRez to realize the full amount of any insurance benefits accruing pursuant to this Agreement.

G. Ability to Service

Client is approved and in good standing to sell mortgage loans to each of FNMA and FHLMC. Client is a HUD approved mortgagee pursuant to Section 203 of the National Housing Act. No event has occurred, including a change in insurance coverage, which would make Client unable to comply with FNMA and FHLMC eligibility requirements. Client is duly qualified, licensed, registered and otherwise authorized under all Applicable Law, and meets the minimum capital requirements set forth by HUD, and is in good standing to enforce, originate, and sell mortgage loans to NewRez in each jurisdiction wherein the Mortgaged Premises are located.

H. No Litigation Pending

There is no litigation, action, suit, proceeding or investigation pending or threatened against Client, before any court, administrative agency, arbitrator, governmental body or other tribunal asserting the invalidity of the Program Documents, seeking to prevent the consummation of any of the transactions contemplated by the Program Documents or which, either in any one instance or in the aggregate, (i) would be reasonably likely to result in any material adverse change in the business, operations, financial condition, properties or assets of Client, or in any material impairment of the right or ability of Client to carry on its business substantially as now conducted, or (ii) would be reasonably likely to prohibit Client from entering into this Agreement or seek to prevent the sale of the Loans or the consummation of the transactions contemplated by the Program Documents or (iii) would be reasonably likely to otherwise draw into question the validity of the Program Documents or the Loans or of any action taken or to be taken in connection with the obligations of Client contemplated herein, or which would be likely to prohibit, impair or otherwise materially and adversely affect the performance by Client of its obligations under, or the validity or enforceability of, the Program Documents.

I. No Material Default

Client is not in default under any agreement, contract or instrument to which it is a party or to which it or its asset(s) are bound, unless such default would not materially and adversely affect its ability to perform under the Program Documents, and no event has occurred that with notice or lapse of time or both would constitute a default under or a breach of any such contract, agreement or other instrument which violation, breach or default would materially and adversely affect its ability to perform its obligation under the Program Documents.

J. Solvency; Ability to Perform

Client is solvent, and the sale of the Loans will not cause Client to become insolvent. The sale of the Loans is not undertaken with the intent to hinder, delay or defraud any of the Client's creditors. Client does not believe, nor does it have any cause or reason to believe, that it cannot perform each and every covenant contained in the Program Documents.

K. No Material Change

There has been no material adverse change in the business, operations, financial condition or assets of Client since the date of the Client's most recent financial statements.

L. Sale Treatment

Client shall treat the disposition of the Loans as a sale on the books and records of Client. Client shall maintain records which shall reflect NewRez's ownership of each Loan.

M. Fair Consideration

The consideration received by Client from NewRez upon the sale of the Loans under the Program Documents constitutes fair consideration and reasonably equivalent value for the Loans.

N. Independence of Client

Client's decision to originate any mortgage loan or to deny any mortgage loan application is an independent decision, and is in no way contingent upon or made as a result of NewRez's decision to purchase or not to purchase, or the price NewRez may offer to pay for any such mortgage loan, if originated.

O. MERS

Client is registered and in good standing with MERS, and shall comply in all material respects with the rules and procedures of MERS in connection with any interim servicing of the MERS-Designated Loans.

P. No Untrue Information

Neither the Program Documents nor any information, statement, tape, diskette, report, form, or other document furnished or to be furnished pursuant to the Program Documents or in connection with the transactions contemplated hereby contains or will contain any untrue statement of material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

Q. No Brokers Fees

Except as otherwise disclosed to NewRez, Client has not dealt with any broker, investment banker, agent or other Person that may be entitled to any commission or compensation in connection with the sale of the Loans, and in the event that Client has dealt with any broker, investment banker, agent or any other Person in connection with the sale of the Loans as disclosed to NewRez, no amounts due and payable to such broker, investment banker, agent or other such Person will become payable by NewRez or any of its assignees.

R. Owner of Record

Client is the owner of record of each Security Instrument and the indebtedness evidenced by each Note.

S. Governmental Actions

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

C102 Representations and Warranties by Client Regarding Individual Loans

Client represents, warrants and covenants the following to NewRez as to each Loan as of the Funding Date:

A. Property Valuation

(A) Each Loan for which an appraisal is required or obtained under the Program Documents contains a written appraisal prepared by an appraiser licensed or certified by the appropriate governmental body (or bodies) in the jurisdiction in which the Mortgaged Premises is located and in accordance with the requirements of Title XI of the Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA). The appraisal was written in form and substance to customary FNMA or FHLMC standards for loans of the same type as the Loans and the Uniform Standards of Professional Appraisal Practice (USPAP) and satisfies applicable legal and regulatory requirements. The appraisal was made and signed prior to the final approval of the Loan application. The person performing any property valuation (including an appraiser) received no benefit from, and such person's compensation or flow of business from the Originator was not affected by, the approval or disapproval of the Loan. (B) For each Loan where the property valuation consisted of a broker price opinion, the opinion was provided by a licensed real estate broker or realtor in the jurisdiction where the property is located. (C) The Person performing any property valuation (including an appraiser, broker or realtor) (i) had no interest, direct or indirect, in the Mortgaged Property or in any loan made on security thereof, and (ii) received no benefit from, and such Person's compensation, referral or further business from the Loan Originator, or flow of business from the Loan Originator was not affected by, the approval or disapproval of the Loan. The selection of the appraiser (i) was made independently of the broker and the loan Originator's loan sales and loan production personnel and (ii) meets FNMA or FHLMC criteria for selecting an independent appraiser, including but not limited to the Appraiser Independence Requirements and FIRREA, as in effect on the date the mortgage loan was originated.

B. Income/Employment/Assets

Client has verified the Borrower's income, employment and/or assets in accordance with the Client Guide. With respect to each Loan other than a Loan for which the Borrower documented his or her income by providing Form W-2 or tax returns, Client employed a process designed to verify the income with third-party documentation (including bank statements).

C. Occupancy

Client has given due consideration to factors, including but not limited to, other real estate owned by the Borrower, commuting distance to work, appraiser comments and notes, the location of the property and any difference between the mailing address active in the servicing system and the subject property address to evaluate whether the occupancy status of the Mortgaged Premises as represented by the Borrower is reasonable. Each Loan identified as owner occupied is lawfully occupied under applicable law by the owner within sixty (60) days following the related origination date.

D. Source of Loan Payments

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

E. Accuracy of Information, Data

All information provided to NewRez relating to each Loan is true, complete and accurate and there are no omissions of material facts and Client is not aware of any facts, the disclosure of which is necessary to make any representation or warranty not misleading. All information accurately reflects the information in the related Loan Documents.

F. Loan Eligibility

Each of the Loans meets the applicable terms, criteria and requirements set forth in this Client Guide and Program Documents.

G. Underwriting; Collection Practices; Escrow Payments

Each Loan was either underwritten by Client in substantial conformance to the applicable Underwriting Guidelines in effect at the time of origination and funding, taking into account the compensating factors set forth in such Underwriting Guidelines as of the Funding Date, without regard to any underwriter discretion or, if not underwritten in substantial conformance to the applicable Underwriting Guidelines, either has reasonable and documented compensating factors or has been approved by NewRez in writing prior to the Funding Date. Any collection practices used with respect to any Loan have been in accordance with Accepted Servicing Practices and Applicable Law. All escrow deposits and escrow payments are in Client's possession and no deficiency in connection with the escrow deposits and escrow payments exists for which customary arrangements for repayment have not been made. No escrow deposits or escrow payments, or other charges or payments due Client, have been capitalized under the Security Instrument or Note.

H. No Prior Liens

Immediately prior to the transfer and assignment of the Loan to NewRez, Client was the sole owner and holder of the Loan free and clear of any and all liens, claims, interests, pledges, charges or security interests of any nature, and Client had good and marketable title and full right, power and authority to sell and assign the Loan.

I. No Mechanics' Liens

The Mortgaged Premises is free and clear of all mechanics' and materialmen's liens or similar liens and claims that have been filed for work, labor or material (and no rights are outstanding that under the law could give rise to such liens) that are or may be liens prior to, or equal to coordinate with, the lien of the related Security Instrument.

J. Manufactured Home

To the extent that any manufactured home is included as part of the Mortgaged Premises, such manufactured home is (1) together with the related land, subject to the Security Instrument, and (2) deemed to be a part of the real property on which it is located pursuant to the applicable law of the jurisdiction in which it is located, and (3) treated as a single-family residence under Section 25(e)(10) of the Internal Revenue Code.

K. Enforceability and Priority of Lien

The Security Instrument is a valid, enforceable and perfected first priority lien (in the case of a first lien loan), or second priority lien (in the case of a second lien loan or line of credit) on the property therein described, and the Mortgaged Premises is free and clear of all claims, encumbrances and liens having priority over the lien of the Security Instrument, except for: (i) the lien of current real property taxes and assessments not yet due and payable; (ii) covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of such Security Instrument acceptable to mortgage lending institutions in the area in which the Mortgaged Premises is located or specifically referred to in the appraisal performed in connection with the origination of the related Loan; (iii) liens created pursuant to any federal, state or local law, regulation or ordinance affording liens for the costs of cleanup of

hazardous substances or hazardous wastes or for other environmental protection purposes; and (iv) such other matters to which like properties are commonly subject that do not individually or in aggregate materially interfere with the benefits of the security intended to be provided by the Security Instrument or the use, enjoyment, value or marketability of the related Mortgaged Premises. Any security agreement, chattel mortgage or equivalent document related to the Security Instrument and required to be delivered to NewRez or the custodian appointed by NewRez establishes in Client a valid, enforceable and perfected first priority lien (in the case of a first lien loan) or second priority lien (in the case of a second lien loan or line of credit) on the property described therein, and Client has full right to sell and assign the same.

L. No Prohibition on Second Lien Loans

If the Loan is a second lien loan, none of the documents evidencing, securing or otherwise relating to the first lien loan in any way restricts or prohibits the Borrower from obtaining the second lien loan or from creating any of the liens granted as security for the second lien loan, and the second lien loan does not violate any term or condition imposed by any such first lien documents.

M. Taxes, Fees and Assessments Paid

All taxes, governmental assessments, water, sewer and municipal charges, condominium fees, homeowners' association fees, leasehold payments, ground rents, and other similar outstanding charges affecting the related Mortgaged Premises that previously became due and payable have been paid or an escrow of funds has been established, to the extent permitted by law, in an amount sufficient to pay for any such item that remains unpaid and that has been assessed but is not yet due and payable.

N. No Damage/Condemnation

The Mortgaged Premises is not damaged by water, fire, earthquake, earth movement other than earthquake, windstorm, hurricane, flood, tornado or similar casualty so as to adversely affect the value of the Mortgaged Premises as security for the Loan or the use for which the premises was intended or render the property uninhabitable. There is no proceeding (pending or threatened) for the total or partial condemnation of the Mortgaged Premises.

O. Fee Simple Estate; No Encroachments; Compliance with Zoning

Except for Loans secured by co-op shares and Loans secured by residential long-term leases, the Mortgaged Premises consists of a fee-simple estate in real property; all of the improvements included for the purpose of determining the appraised value of the Mortgaged Premises lie wholly within the boundaries and building restriction lines of such property and no improvements on adjoining properties encroach on the Mortgaged Premises (unless insured against under the related title insurance policy); and the Mortgaged Premises and all improvements thereon comply with all requirements of any applicable zoning and subdivision laws and ordinances.

P. Legally Occupied

All inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Premises and the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities.

Q. Loan Legal and Binding

The Note, the related Security Instrument and other agreements executed in connection therewith are genuine, and each is the legal, valid and binding obligation of the maker thereof, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the

enforcement of creditors' rights generally and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law). All parties to the Note and the Security Instrument had legal capacity to execute the Note and the Security Instrument, and each Note and Security Instrument has been duly and properly executed and delivered by the Borrower.

R. Proceeds Fully Disbursed; Recording Fees Paid

The proceeds of the Loan have been fully disbursed, there is no requirement for future advances thereunder, and any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds have been complied with (except for escrow funds (i) for exterior items which could not be completed due to weather, (ii) for de minimis cosmetic or other repairs that (a) do not affect the safety, soundness or structural integrity of the property or adversely affect the appraised value of the property, (b) could not be completed prior to the mortgage loan closing date, and (c) must be completed within the timeframe specified in the applicable Underwriting Guidelines (it being understood that an indeterminate completion date shall not be acceptable for purposes of this representation and warranty), and (iii) for the completion of swimming pools scheduled to be completed within twelve (12) months following the closing date. Additionally, all costs, fees and expenses incurred in making, closing or recording the Loan have been paid, except recording fees with respect to Security Instruments not recorded as of the Funding Date.

S. Title Insurance

The Loan (except any Loan secured by a Mortgaged Premises located in any jurisdiction for which an opinion of counsel of the type customarily rendered in such jurisdiction in lieu of title insurance is instead received and any Loan secured by co-op shares) is covered by an ALTA mortgagee title insurance policy or other generally acceptable form of policy or insurance acceptable to FNMA or FHLMC, issued by a title insurer acceptable to FNMA or FHLMC insuring each originator, its successors and assigns as to the first- (in the case of a first lien loan) or second- (in the case of a second lien loan or line of credit) priority lien of the Security Instrument in the original principal amount of the Loan and subject only to the following: (a) the lien of current real property taxes and assessments not yet due and payable; (b) covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of such Security Instrument acceptable to mortgage lending institutions in the area in which the Mortgaged Premises is located or specifically referred to in the appraisal performed in connection with the origination of the related Loan; (c) liens created pursuant to any federal, state or local law, regulation or ordinance affording liens for the costs of cleanup of hazardous substances or hazardous wastes or for other environmental protection purposes; and (d) such other matters to which like properties are commonly subject that do not individually, or in the aggregate, materially interfere with the benefits of the security intended to be provided by the Security Instrument. Immediately prior to the transfer of the Loan to NewRez, Client was the sole insured of such mortgagee title insurance policy, the assignment to the NewRez of Client's interest in such mortgagee title insurance policy does not require any consent of or notification to the insurer that has not been obtained or made, such mortgagee title insurance policy is in full force and effect and shall be in full force and effect and inure to the benefit of NewRez, no claims have been made under such mortgagee title insurance policy and no prior holder of the related mortgage, including Client, has done, by act or omission, anything that would impair the coverage of such mortgagee title insurance policy.

T. Hazard and Flood Insurance

For each Loan, the related Mortgaged Premises securing each Loan (including all buildings and improvements thereon) is insured by an insurer acceptable to FNMA or FHLMC against loss by fire and such hazards as covered under a standard extended coverage endorsement in an amount not less than the lesser of 100% of the insurable value of the Mortgaged Premises or the outstanding principal balance of the Loan. If the Mortgaged Premises is a condominium unit, it is included under the coverage afforded by a blanket policy for the project, which coverage protects not less than the lesser of 100% of the insurable value of the condominium or the outstanding principal balance of the Loan. If, upon origination of the Loan, any portion of the related Mortgaged Premises was in an area identified in the Federal

Register by the Federal Emergency Management Agency as having special flood hazards, a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration is in effect with a generally acceptable insurance carrier in an amount representing coverage not less than the least of the outstanding principal balance of the Loan, the full insurable value of the Mortgaged Premises, or the maximum amount of insurance that was available under the National Flood Insurance Act of 1968, as amended. Each Mortgage obligates the Borrower thereunder to maintain all such insurance at the Borrower's cost and expense, and upon the Borrower's failure to do so, authorizes the holder of the Security Instrument to maintain such insurance at the Borrower's cost and expense and to seek reimbursement therefor from the Borrower to the extent permitted by applicable law. Each such standard hazard and flood policy is a valid and binding obligation of the insurer and is in full force and effect, and contains a standard mortgagee clause naming Client, its successors and assigns as mortgagee, and may not be reduced, terminated, or canceled without thirty (30) days' prior written notice to the mortgagee. All premiums due and owing on such insurance policies have been paid. None of the Originator, Client, any prior owner of the Loan, Borrower or any other Person, has engaged in any act or omission, and no state of facts exists or has existed, that has resulted or will result in the exclusion from, denial of, or defense to coverage, under any such insurance policies, or that would impair the coverage of any such insurance policy, the benefits of the endorsement provided for therein, or the validity and binding effect of either including, without limitation, the provision or receipt of any unlawful fee, commission, kickback, or other compensation or value of any kind.

U. Mortgage Insurance

To the extent required by this Client Guide, the principal balance of the Loan is insured as to payment defaults by a PMI policy issued by a Qualified Insurer. The mortgage insurance policy complies, in form and substance, to the requirements of FNMA and FHLMC at the time of origination of the Loan. No action, inaction or event has occurred and no state of facts exists as of the Funding Date that has, or will result in the exclusion from, denial of, or defense to coverage, except for such exclusion, denial or defense as may be wrongfully made, and except as enforceability may be limited by (i) applicable bankruptcy, insolvency, liquidation, receivership, moratorium, reorganization or other similar laws relating to or affecting the enforcement of insurance policies and (ii) general principles of equity. Client has disclosed in separate writing to the Borrower the terms and conditions that must be met prior to the PMI policy being eligible for cancellation. Client has taken all steps necessary to assign the PMI policy to NewRez and is not aware of any reason the PMI policy may not be assigned to NewRez.

V. Insurance Not Impaired

With respect to any insurance policy, including, but not limited to, hazard, title or mortgage insurance, covering a Loan and the related Mortgaged Premises, no action has been taken or failed to be taken (constituting an omission or otherwise), no event has occurred and no state of facts exists that has resulted or will result in the impairment of the coverage of any such policy, the benefits of the endorsement or the validity and binding effect of either, including without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind as has been or will be received, retained or realized by any person or entity, and no such unlawful items have been received, retained or realized by Client.

W. No Default

Except as otherwise expressly disclosed to NewRez in writing, other than any Monthly Payment due for the month in which the Funding Date occurs and which is less than 30 days past due, there is no monetary default, breach, violation or event of acceleration existing under the Security Instrument or the related Note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event permitting acceleration; and neither Client nor any prior owner has waived any default, breach, violation or event permitting acceleration. No foreclosure action is currently threatened or has been commenced with respect to any Mortgaged Premises.

X. No Rescission; No Defenses

No Note or Security Instrument is subject to any right of rescission, reformation, set-off, counterclaim or defense, including without limitation 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 the Note or Security Instrument unenforceable, in whole or in part, or subject it to any right of rescission, reformation, set-off, counterclaim or defense, and no such right of rescission, reformation, set-off, counterclaim or defense has been asserted with respect thereto, and there is no basis for the Loan to be modified or reformed without the consent of the mortgagee under Applicable Law.

Y. Enforceable Right of Foreclosure

Each Security Instrument contains customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Premises of the benefits of the security provided thereby, including: (i) in the case of a Security Instrument designated as a deed of trust, by trustee's sale, and (ii) otherwise by judicial foreclosure of summary foreclosure if available (subject to any limitation arising from any bankruptcy, insolvency or other law for the relief of debtors), and there is no homestead or other exemption available to the Borrower that would interfere with, restrict or delay the right to sell the Mortgaged Premises at a trustee's sale or the right of foreclosure.

Z. Deeds of Trust

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

AA. Loan Qualifies for REMIC

The Loan is a "qualified mortgage" within the meaning of Section 860G(a)(3) of the Internal Revenue Code of 1986, as amended.

BB. Doing Business

With respect to each Loan, the Originator and all other parties that have had any interest in such Loan, whether as mortgagee, assignee, pledgee or otherwise, are (or, during the period in which they held and disposed of such interest, were) in compliance with any and all applicable licensing requirements of the laws of the state wherein the related Mortgaged Premises is located, except to the extent that failure to be so licensed would not give rise to any claim against Client or otherwise adversely affect the enforceability of the Loan.

CC. Fraud

No fraud, misrepresentation, error, omission, negligence or similar occurrence has taken place on the part of the Borrower, or any originator, correspondent, mortgage broker, appraiser or any other party involved in the origination or sale of such Loan, or in the application of any insurance in relation to such Loan, that would impair in any way the rights of NewRez in the Loan or Mortgaged Premises.

DD. Recordable

Each original Security Instrument was recorded or is in the process of being recorded, and all subsequent assignments of the original Security Instrument have been recorded in the appropriate jurisdictions in which such recordation is necessary to perfect the liens against creditors of Client. As to any Loan which is not a MERS Designated Loan, the

assignment of mortgage, upon the insertion of the name of the assignee and recording information, is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the Mortgaged Premises is located.

EE. MERS Designated Loans

For each Loan registered with MERS, all rules and procedures of MERS have been complied with regarding the Security Instrument and (i) if the Security Instrument relating to such Loan identifies MERS as the original mortgagee of record, such Security Instrument provides that the Security Instrument is given to MERS solely as nominee for the Client and its successors and assigns and such Security Instrument has been properly executed, acknowledged, delivered and recorded in all places necessary to perfect the security interest on the Mortgaged Premises in favor of MERS, solely as nominee for Client and its successors and assigns; or (ii) if MERS is not the original mortgagee of record, an assignment to MERS has been prepared, duly executed and recorded and the chain of assignments is complete and recorded from the original mortgagee to MERS.

FF. Acceleration of Payments

Subject to exceptions required by applicable law, the Security Instrument contains enforceable provisions for the acceleration of the payment of the unpaid principal amount of the Loan if the related Mortgaged Premises is sold without the prior consent of the mortgagee thereunder.

GG. Complete Mortgage Files

The instruments, originals and copies of documents, and information with respect to each Loan required to be delivered to NewRez on or prior to the Funding Date have been so delivered and are complete, accurate and prepared in accordance with the Client Guide, Program Documents and all Applicable Laws.

HH. No Modifications

The terms of the Note and Security Instrument have not been impaired, waived, altered, or modified in any material respect, unless such modification is made by a written instrument that, if required by applicable law, has been recorded or is in the process of being recorded and such modification is expressly approved in writing by NewRez. The Loan has not been satisfied, canceled or subordinated in whole or in part, except in each case as reflected in an agreement included in the Loan file. The Mortgaged Premises has not been released in whole or in part from the lien of the Security Instrument and no Borrower has been released from its liability or obligations under the Loan, in whole or in part, or executed any instrument of release, cancellation, modification or satisfaction, except in each case as reflected in an agreement included in the Loan file.

II. Mortgaged Premises is 1-4 Family

Each Mortgaged Premises is located in the United States or a territory of the United States and consists of a residential structure. Such structure constitutes a one- to four- unit property, which may include, but is not limited to, a single-family or two- to four-family dwelling, townhouse, condominium unit or unit in a planned unit development or, in the case of Loans secured by co-op shares, leases or occupancy or agreements.

JJ. Loans Current; Prior Delinquencies

Unless otherwise expressly disclosed to NewRez in writing, all payments required to be made up to the Due Date immediately preceding the Funding Date under the terms of the related Note have been made, and no Loan had been delinquent more than 30 days in the twelve (12) months preceding the Funding Date.

KK. Borrower

With respect to each Loan, unless otherwise expressly disclosed to NewRez in writing, each Borrower is a natural person or other form of entity acceptable to FNMA or FHLMC (if a borrower is not a natural person, then its form is expressly identified in writing). At the time of origination, the Borrower was either a United States citizen or a permanent resident alien who has the right legally to live and work permanently in the United States and evidence of residency status for a permanent resident alien, as applicable, has been validated by documentation that would be acceptable to each of FNMA and FHLMC. No Borrower is a debtor in any state or federal bankruptcy or insolvency proceeding, nor was such Borrower at the time of origination of the Loan a debtor in any such proceeding. Unless otherwise expressly disclosed in writing, no Borrower was the subject of a state or federal bankruptcy or insolvency proceeding prior to the origination of the Loan unless expressly permitted in accordance with the Client Guide. Unless otherwise expressly disclosed in writing, no Borrower was a mortgagor (whether as primary or co-borrower) with respect to a mortgaged property with respect to which (x) a foreclosure sale was completed, or (y) title was conveyed to the related mortgagee through deed-in-lieu of foreclosure, short sale or otherwise prior to the origination of the Loan, unless expressly permitted in accordance with the Client Guide.

LL. Leaseholds

Except as may be permitted under this Client Guide, the Mortgaged Premises is not subject to a Leasehold estate. To the extent the Loan is secured by a leasehold interest: (i) the lessor under the lease holds a fee simple interest in the land, (ii) the Borrower is the owner of a valid and subsisting interest as tenant under the lease and is not in default thereunder, (iii) the lease is in full force and effect, and is unmodified, (iv) all rents and other charges have been paid when due, (v) the lessor under the lease is not in default, (vi) the execution, delivery, and performance of the mortgage do not require the consent (other than the consents that have been obtained and are in full force and effect) under, and shall not violate or cause a default under, the terms of the lease, (vii) the lease is assignable or transferable, (viii) the term of such lease does not terminate earlier than five years after the maturity date of the Note, (ix) the lease does not provide for termination of the lease in the event of the Borrower's default without written notice to the mortgagee and a reasonable opportunity to cure the default, (x) the lease permits the mortgaging of the related Mortgaged Premises, and (xi) the lease protects the mortgagee's interests in the event of a property condemnation.

MM. Ability to Repay

With respect to each Loan for which the loan application for the related Borrower was taken on or after January 10, 2014, unless otherwise expressly permitted in accordance with the Client Guide, such Loan (i) is a "Qualified Mortgage" as defined in Regulation Z, 12 C.F.R. Â§ 1026.43(e), and (ii) complies with the ability to repay standards set forth in Regulation Z, 12 C.F.R. Â§ 1026.43(c).

NN. Origination and Servicing Regulatory Compliance

The origination, servicing and collections practices used with respect to each Loan have been in accordance with Applicable Laws, whether performed by Client, its Affiliates, or any third party or any subservicer or servicing agent of any of the foregoing. There are no circumstances involving the Loan Documents, the Mortgaged Premises, or the Borrower's credit standing that could (i) cause private institutional investors to regard the Loan as an unacceptable investment, (ii) cause the Loan to become delinquent, or (ii) adversely affect the value or marketability of the Mortgaged Premises or the Loan.

OO. TRID Compliance

With respect to each Loan for which an application was taken on or after October 3, 2015, either: (i) the Loan was originated in compliance with TRID; (ii) any TRID compliance exception with respect to each Loan shall not result in civil

liability or has been cured in a manner which negates the associated civil liability; or (iii) such Loan is not subject to TRID.

PP. No Violation of Environmental Laws

As of the Funding Date, each Mortgaged Premises complied in all material respects with all environmental laws, rules, and regulations that were applicable to such Mortgaged Premises.

QQ. "High Cost" Loans, "Covered" Loan

No Loan is a "high-cost" loan, "covered" loan or any other similarly designated loan as defined under any applicable predatory and abusive lending laws.

RR. Business Purpose Loans

Any Loan identified as a Business Purpose Loan is an extension of credit primarily for a business or commercial purpose and is not a "covered transaction" as defined in Section 1026.43(b)(1) of Regulation Z.

SS. Rebuttable Presumption Loans

If the Loan is identified as a Rebuttable Presumption Loan, such Loan (i) is a "qualified mortgage" within the meaning of Section 1026.43(e)(2) of Regulation Z without reference to Section 1026.43(e)(4), (5), (6) or (f) of Regulation Z, (ii) complies with the total points and fees limitations for a qualified mortgage set forth in Section 1026.43(e)(3) of Regulation Z (including the inflation adjustments provided for in Section 1026.43(e)(3)(ii) of Regulation Z), (iii) is a "higher-priced covered transaction" within the meaning of Section 1026.43(b)(4) of Regulation Z, (iv) only includes a prepayment charge permitted by Section 1026.43(g) of Regulation Z, v) does not provide for a balloon payment and (vi) qualifies for the presumption of compliance set forth in Section 1026.43(e)(1)(ii) of Regulation Z. The Loan Documents for each Loan include all necessary third-party records and other evidence and documentation to demonstrate such proof that the Loan has a "Rebuttable Presumption" of compliance with 12 C.F.R. Â§ 1026.43(c).

TT. Electronic Loan Disclosures

If disclosures are required by law to be given to Borrower(s) in connection with the origination of a Loan and the disclosures are provided electronically, the disclosures were provided in compliance with the Electronic Signatures in Global and National Commerce Act (E-Sign) and all other laws and regulations applicable to electronic records and electronic disclosures. Borrowers have consented to receive the disclosures in accordance with the E-Sign Act. The Borrower(s) have, by use of electronic means, either (i) affirmatively consented to use electronic records, or (ii) confirmed electronically consent that was oral or in writing. The affirmative consent process, including confirmation of prior non-electronic consent if applicable was accompanied by, or incorporates, a reasonable demonstration of the consumer's ability to receive electronic disclosures in the formats that will be used for delivering the required disclosures. Each loan file contains documentary evidence of the Borrower's consent to receive disclosures electronically and hard copies of the disclosures provided electronically.

UU. Servicemembers' Civil Relief Act

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

VV. Interagency Guidance on Nontraditional Mortgage Product Risks

All Loans subject to the Guidance on Nontraditional Mortgage Product Risks (the "Guidance"), issued by the Office of

the Comptroller of the Currency, Treasury; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; Office of Thrift Supervision, Treasury; and the National Credit Union Administration (the "Agencies") comply with the Guidance and any substantially similar guidance issued by any state governmental agency.

WW. Interagency Statement on Subprime Mortgage Lending

All Loans subject to the Interagency Statement on Subprime Mortgage Lending (the "Subprime Statement"), issued by the Office of the Comptroller of the Currency, Treasury; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; Office of Thrift Supervision, Treasury; and the National Credit Union Administration (the "Agencies") comply with the Subprime Statement or any substantially similar guidance issued by any state governmental agency.

XX. AS. Non-solicitation

The Client has not solicited or provided information to another party for the purpose of soliciting, and covenants and agrees that it will not solicit or provide information to another party for the purpose of soliciting, the refinancing of any Loan. The term "solicit" as used in this subsection shall mean a direct request or offer to refinance a servicing released Loan, and shall not include general solicitations, advertisements, or promotions directed to the public at large.

YY. Exclusionary List

1. No Individuals or Businesses on the Exclusionary List

Individuals and business on the NewRez Exclusionary List have played no role in the origination or sale of a Loan to NewRez. Excluded individuals and business may include any party who deals directly or indirectly with NewRez who have a material influence on the mortgage origination, purchase, or servicing processes, including individuals in a management or supervisory position.

2. Parties Involved in the Origination of Loan

No person or entity on the NewRez Exclusionary List, GSA's Excluded Parties list, HUD's Limited Denial of Participation List, FHFA's Suspended Counterparty Program (SCP) list or NewRez's MIRR Cat III list, applicable to the specific loan program, has played a role in the origination of the Loan or in the underlying real estate transaction. Prohibited roles include, but are not limited to, Borrowers, trustees on the deed, builders, developers, property sellers, loan officers, loan processors, underwriters, Correspondents, Mortgage Service Providers, appraisers, title insurers, real estate brokers and agents, closing or settlement agents, notaries and insurance agents.

3. Parties Involved in the Sale of Loans to NewRez

No person or entity on the NewRez Exclusionary List, GSA's Excluded Parties list, HUD's Limited Denial of Participation List, FHFA's Suspended Counterparty Program (SCP) list or NewRez's MIRR Cat III list has played a role in the sale of a Loan to NewRez.

Prohibited roles in sales functions include, but are not limited to, parties involved in the delivery of Loans to NewRez. This prohibition includes both the party's own employees and any third parties to whom sales functions are outsourced or assigned.

4. Parties, sourced by NewRez involved in the Origination or Sale of Loans to NewRez

If a party has been assigned a role in the origination or sale of a loan to NewRez by NewRez it is the

responsibility of NewRez to ensure that party has not been included on the NewRez exclusionary list or any of the following lists; GSA's Excluded Parties list, HUD's Limited Denial of Participation List, FHFA's Suspended Counterparty Program (SCP) list or NewRez's MIRR Cat III list.

ZZ. Confidentiality

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

AAA. Fannie Mae Loan Quality Initiative

On Loans eligible for sale to Fannie Mae or Freddie Mac closed in Client's name and sold to NewRez each Loan complies with Fannie Mae's Loan Quality Initiative requirements as described in Fannie Mae Lender Letter LL-2010-03 and Fannie Mae Announcements SEL-2010-01 and SEL 2010-03 and in any and all subsequent Fannie Mae Lender Letters and Selling Guide Announcements regarding the Loan Quality Initiative.

C103 Survival

The representations, warranties, covenants and other obligations set forth in this Client Guide (including those set out in this chapter) shall survive the sale and delivery of the Loan to NewRez the Funding, and the assignment of NewRez's rights with respect to a Loan, and will continue in full force and effect, notwithstanding any termination of the Client Contract, this Client Guide or the Program Documents, and shall inure to the benefit of NewRez and its assigns, notwithstanding any restrictive or qualified endorsement on any Note or assignment or Security Instrument or NewRez's examination, or failure to examine any Loan Documents or Security Instrument files.

C104 Miscellaneous

Gestation or Repo Line of Credit

If Client has sold the Loans under a gestation or repo line of credit, then Client agrees that for the purposes of the sale of Loans pursuant to the Client Contract and this Client Guide, all Loans shall be deemed to have been sold directly from Client to NewRez and Client hereby makes all the representations, warranties, indemnities, and other agreements set forth in the Client Contract and this Client Guide. No assignment of the Loans to the gestation provider or repo lender shall relieve Client of its obligations to indemnify and repurchase Loans in accordance with this Client Guide, or release Client from any of its other obligations under the Client Contract or this Client Guide.

Chapter 1D Defaults and Remedies, Early Pay Off**D100 Defaults**

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

- A. Client has not complied with one or more of the requirements, terms or conditions, or has breached a representation, warranty or covenant, contained in this Client Guide or in the Program Documents.
- B. An Event of Default or a default (by whatever name) has occurred under the Program Documents or any other agreement between Client or Guarantor and NewRez or between Client or Guarantor and one of NewRez's Affiliates.
- C. Client or any Guarantor changes its name or its DBA without prior written notice to NewRez.
- D. Client or any Guarantor consolidates, merges or enters into any analogous reorganization transaction with any person without prior written notice to NewRez.
- E. If Client is a bank, thrift, or savings and loan association, Client changes its charter from federal to state or vice versa without prior written notice to NewRez.
- F. Client converts from one entity type to another (e.g. corporation to LLC) without prior written notice to NewRez.
- G. Any Guarantor revokes, purports to disavow or contests the validity or enforceability of its guaranty, or dies or becomes incapacitated.
- H. Any Client or Guarantor undergoes a sale outside the ordinary course of business without prior written notice to NewRez consent.
- I. Client fails to notify NewRez of any change in ownership that results in a change in the majority owner of Client, within 30 days of the effective date.
- J. Client fails to provide names of individual owners, upon NewRez's request, unless an entity is deemed "public".
- K. The actual or impending insolvency of Client or any Guarantor.
- L. The filing of a voluntary petition by Client or any Guarantor, or an involuntary petition or other insolvency proceedings against Client or any Guarantor under the federal bankruptcy laws or under any state bankruptcy or insolvency laws.
- M. Any assumption of control of Client by the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS) or other similar governmental entity.
- N. Client or any Guarantor admits in writing its insolvency or inability to pay debts.
- O. The appointment of trustee or receiver for Client or any Guarantor or their respective property.
- P. The execution by Client or any Guarantor of an assignment for the benefit of creditors.
- Q. Any other change in the financial or organization status of Client or any Guarantor that NewRez in its discretion believes could adversely affect NewRez or any Loans sold to NewRez.
- R. Client or any Guarantor liquidates, winds up or dissolves.
- S. Client ceases to engage in the business of originating, purchasing or servicing Loans (as applicable).
- T. Client or any Guarantor sells, assigns, or transfers all or substantially all of Client's business or assets.
- U. The placement of Client on probation or restriction of its activities in any manner by a (a) federal or state government Agency, including Freddie Mac, Fannie Mae, or HUD, or (b) MERS.
- V. NewRez determines in its discretion that Client's or any Guarantor's actual and contingent obligations to NewRez are disproportionate to its capital and assets.
- W. Client's or any Guarantor's failure to deliver any documents required by NewRez.
- X. Client's or any Guarantor's misstatement or omission of any material fact on any application, certification or other document delivered to NewRez.
- Y. Client's failure to repurchase any Loan within the required timeframe.
- Z. Client's inability to meet the approval standards of any insurer or other entity that provides insurance or credit enhancements in connection with the efforts of NewRez to sell the Loans based on the collateral value of the Loans.
- AA. Client's failure to maintain a qualified Loan origination, servicing and quality control staff, and acceptable ongoing quality control program adequate facilities and written policies and procedures to ensure the investment quality of Loans sold to NewRez or the adequacy of the servicing of servicing-retained Loans purchased by NewRez.
- BB. Client's failure to meet any prescribed eligibility test.

- CC. Client fails to obtain private mortgage insurance or a Mortgage Insurance Certificate issued by the Federal Housing Administration (FHA) as required in this Client Guide, or a VA Loan Guaranty Certificate issued by the Department of Veterans Affairs (VA) on VA loans, or the private mortgage insurance, Mortgage Insurance Certificate or Loan Guaranty Certificate is subsequently deemed invalid or rescinded by the private mortgage insurance company, FHA or VA.
- DD. Client fails to immediately notify NewRez of adverse notice of findings by a federal or state Government Agency including Freddie Mac, Fannie Mae, Ginnie Mae, USDA or MERS.

D101 Remedies

A. Non-Exclusive, Cumulative Remedies

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

B. Waiver of Defaults

NewRez may waive any default by Client in the performance of Client's obligations hereunder and its consequences, but only by a written waiver specifying the nature and the terms of such waiver. No such waiver shall extend to any subsequent or other default, nor shall any delay by NewRez in exercising, or NewRez's failure to exercise, any right arising from such default affect or impair NewRez's rights.

C. Survival of Remedies

NewRez's remedies will continue in full force and effect, notwithstanding any termination of the Client Contract, this Client Guide or the Program Documents, and shall inure to the benefit of NewRez and its assigns, notwithstanding any restrictive or qualified endorsement on any Note or assignment of mortgage, or NewRez's examination of or failure to examine any Loan Documents or Loan files.

D102 Repurchase

A. Repurchase Obligations

NewRez has the right to require that Client repurchase a Loan (and its servicing, if the Loan was sold on a servicing-released basis) if an Event of Default has occurred with respect to a specific Loan or, on certain Loans if an Early Payment Default has occurred with respect to a specific Loan. Please see section D107 for Early Payment Default Remedies.

On Jumbo Loans where the appraisal is ordered through Mercury provided by NewRez if an Event of Default has occurred with respect to a specific Loan because the value of the collateral is not sufficient or the appraisal does not meet investor guidelines, NewRez will not exercise its right to demand repurchase of the specific Loan by reason of such particular Event of Default, provided that in all other aspects the Loan was eligible for purchase by NewRez at the time it was submitted for purchase by Client.

NewRez has the right to require that the Client repurchase a Loan for any other failure to comply with the requirements of the Client Guide including, but not limited to, Client's Representations and Warranties with respect to fraud and misrepresentation and compliance with all laws.

NewRez has the right to require that the Client repurchase a Loan if NewRez's investor declines to purchase the Loan from NewRez or requires NewRez to repurchase the Loan from the investor, or if the Loan is ineligible for pooling with GNMA, in each case as a result of a fact or circumstance occurring prior to the date that NewRez purchased the Loan from Client.

If Client discovers an Event of Default with respect to a Loan, it must give NewRez prompt written notice describing the breach. Upon receipt of this notice, NewRez will review the materials and any additional information or documentation that Client believes may influence NewRez's decision to require Client to repurchase the Loan.

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

If NewRez determines in its discretion that repurchase of a Loan and its servicing is not appropriate, Client must pay NewRez all losses, costs and expenses (including reasonable attorney's fees and enforcement costs) incurred by NewRez and the Loan's servicer as a result of the Event of Default.

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

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

Any of the real property securing the Loan pursuant to a foreclosure sale and has not disposed of such property, it will transfer such property to Client on a "quit claim" basis, or if required by state law, a "warranty deed" basis.

B. Repurchase Price

The Repurchase Price is the sum of the following amounts:

1. The actual principal balance of the Loan at the time of repurchase. If NewRez purchased the Loan at a discount, the repurchase price will be adjusted by subtracting from the actual principal balance the amount obtained by multiplying the discount percentage by the actual principal balance at the time of repurchase. If NewRez purchased the Loan at a Premium, the repurchase price will be adjusted by adding to the actual principal balance the amount obtained by multiplying the Premium percentage by the actual principal balance at the time of repurchase; plus
2. All accrued and unpaid interest on the Loan through the last day of the month of the date of repurchase; plus
3. All interest, principal and other advances made to investors and all out of pocket costs and expenses of any kind incurred by NewRez and the primary Servicer in connection with the Loan, including, but not limited to, advances for taxes or insurance, and repair, foreclosure and insurance costs and reasonable attorneys' fees; plus
4. Cost of any transfer fees such as documentary stamp taxes, recording taxes, and transfer taxes; plus
5. Any unpaid Early Payment Default fee due under Section D107; plus
6. Any additional amount that NewRez or any Affiliate is required to pay to repurchase the Loan from any subsequent assignee; minus
7. The net amount of any proceeds realized by the owner of the Loan upon the final liquidation of the Loan or the Mortgaged Premises to an unrelated third party.

D103 Indemnification

Client shall indemnify NewRez from all liabilities, obligations, losses, damages, penalties, fines, forfeitures, court costs and reasonable attorneys' fees, judgments, suits and any other costs, fees and expenses, directly or indirectly resulting from or arising out of (a) an Event of Default, (b) any litigation or governmental proceeding that alleges any violation of local, state or federal law or an event which, if true, would be an Event of Default, by Client or any other party in connection with the origination of a Loan or the servicing of a Loan prior to the sale of servicing to NewRez (c) any breach of a representation, warranty, or covenant made by NewRez in reliance upon any representation, warranty, or covenant made by Client, or (d) NewRez's enforcement of the Client Contract, including this Client Guide.

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

D104 Set Off

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

D105 Suspension, Inactivation, and Termination**A. Termination****1. By Client**

Client may terminate the Client Contract, the Program Documents, or both by providing written notice of termination to NewRez at least five (5) days in advance of the termination date. Such notice shall be addressed in accordance with the Client Contract and shall be deemed to have been received by NewRez upon the earliest of (a) delivery, if personally delivered, sent by facsimile, or e-mailed; (b) receipt, if submitted for overnight delivery to a nationally recognized courier service; or (c) receipt, if sent by registered or certified mail (return receipt requested), postage prepaid. Termination may be for convenience or if an Event of Default has occurred or is reasonably believed to have occurred.

2. By NewRez

NewRez may terminate the Client Contract, the Program Documents, or both by providing written notice of termination to Client. Such notice shall be addressed in accordance with the Client Contract and shall be deemed to have been received by Client upon the earliest of (a) delivery, if personally delivered, sent by facsimile, or e-mailed; (b) receipt, if submitted for overnight delivery to a nationally recognized courier service; or (c) receipt, if sent by registered or certified mail (return receipt requested), postage prepaid. Termination may be for convenience or if an Event of Default has occurred or is reasonably believed to have occurred.

a. Convenience

If termination is for convenience, NewRez shall provide written notice of termination to Client at least five (5) days in advance of the termination date. The termination shall not apply to any Loans that were registered with NewRez by Client on or before the termination date.

b. Event of Default

If termination is because an Event of Default has occurred or is reasonably believed to have occurred, NewRez shall (i) provide written notice of termination to Client, which termination may take effect immediately upon receipt of notice by Client, and (ii) have the right to cancel any Loans and commitments and refuse to fund any Loans that were registered with NewRez by Client on or before the termination date.

B. Suspension

NewRez may suspend the Client Contract, the Program Documents, or both with or without notice to Client. Suspension may be for convenience or if an Event of Default has occurred or is reasonably believed to have occurred.

1. Convenience

If suspension is for convenience, the suspension shall not apply to any Loans that were registered with NewRez by Client on or before the suspension date.

2. Event of Default

If suspension is because an Event of Default has occurred or is reasonably believed to have occurred, NewRez shall have the right to cancel any Loans and commitments and refuse to fund any Loans that were registered with NewRez by Client on or before the suspension date.

C. Client Obligations

Neither termination, suspension, nor inactivation affects Client's obligations with respect to Loans already sold or referred for underwriting and closing to NewRez.

D106 Early Pay Off**A. Premium Recapture for Early Pay Off (EPO) on closed loans purchased by NewRez (correspondent).**

In the event of

- full prepayment within 150 days of the purchase date of a first lien mortgage loan sold to NewRez or
- full prepayment within 180 days of the purchase date of a second lien mortgage loan sold to NewRez

Client must reimburse NewRez :

Commitment Type	Reimbursed Amount
All Flow Commitment Types	The higher of the original Premium (above par pricing) paid to the Client or the Base SRP plus Escrow and Loan Size Adjustments or a minimum SRP of 1.50% (2.50% for Government loans). If the loan was resold to another investor prior to the date the loan paid off, the minimum SRP will be charged.

B. EPO Premium Recapture on Refinances

NewRez will offer Client a 50% reduction of the premium recapture as long as NewRez purchases the refinanced loan. This applies only to loans closed loans purchased by NewRez (correspondent)

C. Prepayment Period

The prepayment period starts with the date that loan was purchased or funded by NewRez as applicable.

D. Timing of Payment

Client must repay the Premium Recapture or other recaptured amount within 30 days of written notice from NewRez. If payment is not received by NewRez within such period, the amount owing may be offset by NewRez against any amount due Client as determined by NewRez.

E. Wire Instructions

Upon notice from NewRez Client must wire the funds for Premium Recapture or other recaptured amount in accordance with the instruction provided with such notice.

D107 Early Payment Default

A. Early Payment Default Defined

On Conventional Agency and Government Loans closed in Client's name and sold to NewRez an Early Payment Default (EPD) occurs when any of the first four (4) four payments due after purchase of the loan by NewRez becomes ninety (90) or more days delinquent and such delinquency is not attributable to an error in servicing or other material error of NewRez or its affiliates. On Jumbo and Expanded Criteria Loans closed in Client's name and sold to NewRez an Early Payment Default (EPD) occurs when any of the first three (3) payments due after purchase of the loan by NewRez becomes thirty (30) or more days delinquent and such delinquency is not attributable to an error in servicing or other material error of NewRez or its affiliates. For purposes of this policy, a loan is considered 30 days delinquent if the payment has not been received and applied by the end of the day immediately preceding the loan's next due date. Receipt of payments originally due prior to the date on which NewRez purchases the loan will not satisfy the EPD requirement.

B. Remedies for an Early Payment Default

The following remedies apply to an EPD. Loan Type	Underwritten by Client under Delegated Authority	Underwritten by NewRez and Subsequently Approved
Conventional Agency Loans	EPD Fee	None
Government Loans	EPD Fee	None
Jumbo and Expanded Criteria Loans	EPD Fee/Repurchase*	None

Loans approved through an automated underwriting system, including, but not limited to, Desktop Underwriter and Loan Product Advisor, are not exempt.

*On Jumbo Loans, Client must pay the EPD Fee. NewRez in its sole discretion, has the right to also demand that Client repurchase a Loan (and its servicing, if the Loan was sold on a servicing-released basis).

C. Early Payment Default Fee

If Client is required to pay an EPD fee under Section D107 B, Client will pay to NewRez :

Commitment Type	Fee Amount
All other Flow Commitment Types	Conventional fixed rate Loans: 1.75% of the outstanding principal balance + \$1,000 Conventional adjustable rate Loans: 1.25% of the outstanding principal balance + \$1,000 FHA and VA fixed rate Loans: 2.0% of the outstanding principal balance + \$2,000 FHA and VA adjustable rate Loans: 1.25% of the outstanding principal balance + \$2,000

Client must pay the Early Payment Default fee within 30 days of written notice from NewRez. Upon notice from NewRez Client must wire the funds for the Early Payment Default in accordance with the instruction provided with such notice.

Chapter 1E Terms of Use and Electronic Services

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

E100 Overview and Incorporation of Terms of Use

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

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

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

E101 Fannie Mae User Agreement

Client agrees to be bound by the terms and provisions of the [User Agreement](#).

Chapter 2 Compliance

200 Compliance Expectations and NewRez Communications

NewRez requires Lenders to comply with all applicable regulatory requirements related to the origination and closing of mortgage loans. Lenders should consult with their own legal or compliance counsel to ensure that all loans sold to NewRez are fully compliant with all applicable federal, state, and local laws and regulations.

In an effort to reduce the number of loan purchase suspensions, NewRez is providing the recommendations below. This information is being provided as a tool to assist Lenders in providing documentation required for loan purchase and is not intended to provide legal or compliance counsel relating to local, state, or federal requirements.

The inclusion of these documents does not release the Lender of its representations and warranties that all loans meet all regulatory and compliance requirements as they relate to mortgage lending.

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

201 High Cost Loans

NewRez will not purchase any loan defined as a high cost or predatory mortgage loan.

A high cost test will be performed on all loans on a pre-purchase basis for compliance with the following:

- Federal law
- Investor/Agency requirements
- State law
- City/Village/Municipality Code
- County Ordinance

Note: NewRez will not purchase any loan, regardless of occupancy type, that exceeds the threshold for the points and fees test.

Any loan determined to be a "high cost" loan will be denied for purchase. NewRez will not allow a refund to the borrower for excessive fees in order to cure a loan for purchase.

Lenders are responsible for ensuring that all loans delivered to NewRez are in compliance with all applicable laws and regulations noted above. In the event a loan is inadvertently purchased by NewRez that is later determined to be a "high cost" loan, that loan will be subject to immediate repurchase.

It is the responsibility of the Lender to consult with their own legal or compliance counsel to develop internal policies and procedures necessary to prevent the closing of a high cost loan.

202 RESPA

Homeownership Counseling Disclosure

NewRez will only accept Homeownership Counseling Disclosures with the list of at least ten counseling organizations based on the current zip code. The disclosure containing the list of organizations is required to be provided to the borrower(s) within 3 business days of accepting the application. Loans with alternative disclosures will no longer be eligible for purchase.

Lists can be obtained through the CFPB's website, www.consumerfinance.gov/find-a-housing-counselor.

203 TILA

CFPB Ability to Repay Rule - Qualified Mortgage

Background and Scope

On January 10, 2013, the CFPB issued a final rule amending Regulation Z to implement the Dodd Frank ability to repay requirements. The requirements of this final rule are effective with applications taken on or after January 10, 2014.

The rule applies to **all consumer purpose, closed-end loans secured by a dwelling, including purchases, refinances and home equity loans, including investment properties.**

The rule requires that for covered loans the creditor must make a reasonable and good faith determination at or before consummation of the loan that the consumer will have a reasonable ability to repay the loan according to its terms. Although the rule allows for four ways in which to satisfy the ability to repay requirements, all loans submitted for purchase by NewRez must meet the requirements for a "Qualified Mortgage" or "QM".

QM Requirements

To meet the definition of a QM, a loan must meet three types of requirements: a product features test, one of two alternative underwriting tests, and a points and fees limitation as described below.

1. Product Features:

All QMs must have a loan term not exceeding 30 years and provide for regular periodic payments that are substantially equal except for ARM or step-rate mortgages. The mortgage may not result in the increase of the principal balance (negative amortization), deferral of principal repayment (interest only), or a balloon payment.

2. Underwriting:

The GSE / Federal Agency Alternative

Under this alternative, a loan will pass the QM underwriting test if 1) for conventional loans, at consummation, the loan is eligible to be purchased by Fannie Mae or Freddie Mac or 2) for FHA loans, the loan is insured by HUD under the National Housing Act or 3) for VA loans, at consummation, the loan is eligible to be guaranteed by the VA.

DTI can exceed 43% on conforming loans if the loan file includes an "Approve/Eligible" recommendation from Desktop Underwriter (DU) or meets the manual underwriting requirements reflected in the product summaries.

The 43% DTI Alternative

Under this alternative, the ratio of the consumer's total monthly debt payments to total monthly income at the time of consummation may not exceed 43%. Creditors must comply with Regulation Z's Appendix Q. Using Appendix Q, the following underwriting factors must be considered:

- The consumer's current or reasonably expected income or assets
- The consumer's current employment status
- The consumer's monthly payment on the loan
- The consumer's monthly payment on any simultaneous loan that the creditor knows or has reason to know will be made
- Monthly payment for mortgage related obligations
- Current debt obligations, alimony and child support
- Monthly debt-to-income or residual income

All non-conforming loans must meet the underwriting requirements under the 43% DTI Alternative.

3. Points and Fees

For all loans submitted for purchase by NewRez, points and fees as defined below must not exceed the following points and fees thresholds for a QM. NewRez will not allow for any post funding cures in cases in which these thresholds are exceeded.

Loan Amount:	Points & Fees Threshold:
\$100,000 or more	3% of the total loan amount
Greater than or equal to \$60,000 and less than \$100,000	\$3,000
Greater than or equal to \$20,000 and less than \$60,000	5% of the total loan amount
Greater than or equal to \$12,500 and less than \$20,000	\$1,000
Less than \$12,500	8% of the total loan amount

Total loan amount is defined as the Amount Financed less the following items to the extent these items are included in points and fees and financed by the creditor:

- 1026.4(c)(7) real estate related fees
- Premiums paid at or before consummation for credit life, credit disability, credit unemployment or credit property insurance for which the creditor is the beneficiary, or direct or indirect payments for debt cancellation or suspension agreements or contracts
- Prepayment fee on existing loan if refinanced by the holder or servicer of the existing loan, or an affiliate of either.

All dollar amounts associated with the points and fees limitation - i.e., loan amount, total loan amount and dollar caps - will be subject to annual adjustment based on changes in the Consumer Price Index.

Points and fees include the following:

a. Finance Charges

All charges included under the definition of a finance charge except the following items are excluded:

- Interest or the time-price differential.
- Any premium or other charge imposed in connection with any Federal or State agency program for guaranty or insurance that protects the creditor against the consumer's default or credit loss - i.e., FHA mortgage insurance

premiums or VA guarantee fees. This exclusion applies whether the fees are payable before, at or after consummation.

- Private mortgage insurance (PMI) premiums payable after consummation.
 - Bona fide third party charges not retained by the creditor, loan originator or an affiliate of either.
 - Bona fide discount points - a bona fide discount point is defined as an amount equal to 1% of the loan amount paid by the consumer that reduces the interest rate based on a calculation consistent with established industry practices.
- For all loans submitted for purchase by NewRez, the reduction in interest rate must be considered meaningful based on a calculation consistent with industry practices.**

Up to two bona fide discount points may be excluded from the test if the undiscounted interest rate is less than the average prime offer rate (APOR) or does not exceed the APOR by more than one percentage point. Up to one bona fide discount point may be excluded if the undiscounted interest rate does not exceed the APOR by more than two percentage points.

No more than two discount points may be excluded from the test on any loan.

- b. Loan level price adjustments (LLPAs) - LLPAs (net) imposed by the GSEs must be included in the points and fees calculation for all loans except if they are fully offset by premium pricing or meet the criteria to be excluded as bona fide discount points as described above.
- c. Upfront PMI premiums - in order to exclude upfront PMI premiums from the test, the premium must be refundable on a pro rata basis with the refund automatically issued upon notification that the loan is paid in full. *Pending further clarification from the CFPB or notification from MI companies regarding revised MI policies, NewRez will require any amount of borrower-paid upfront conventional MI premiums to be included in the points and fees total.* Current MI policies only allow for refund for the first three to five years versus for the life of the policy.
- d. All compensation paid directly or indirectly by a consumer or creditor to a loan originator that can be attributed to the transaction at the time the rate is set.
- e. Fees for title examination, abstract of title, title insurance, property survey, document prep fees for loan related documents, notary fees, credit report fees, appraisal fees or fees for inspections to assess the value or condition of property including fees related to pest inspection and flood hazards, and amounts required to be paid into escrow or trustee accounts if:
 - The charge is paid to an affiliate of the creditor;
 - The creditor receives direct or indirect compensation in connection with the charge; or
 - The charge is unreasonable

An affiliate is any company that controls, is controlled by, or is under common control with another company, as set forth in the Bank Holding Company Act of 1956. Under this Act, one company controls another if it 1) directly or indirectly owns 25% or more of any class of voting securities of the other company, 2) controls in any way the election of a majority of the other company's directors, or 3) exercises controlling influence over the other company's management or policies.

- f. Premiums or other charges payable at or before consummation for any credit life, disability, unemployment, or property insurance, or similar product, where the creditor is a beneficiary of any payments directly or indirectly for any debt cancellation or suspense contract.
- g. The maximum prepayment penalty that may be collected under the terms of the mortgage and the total prepayment penalty that would be incurred by the consumer if the consumer refinances the existing mortgage with the current holder of the loan, the servicer acting on behalf of the holder or an affiliate of either.

CFPB HOEPA Requirements - Section 32**Home Ownership and Equity Protection Act**

Congress passed the Home Ownership and Equity Protection Act (HOEPA), part of the Riegle Community Development and Regulatory Improvement Act of 1994, to protect consumers from alleged predatory lending practices. To implement HOEPA, the Federal Reserve Board added Subpart E to Regulation Z entitled "Special Rules for Certain Home Mortgage Transactions" and made conforming changes to other provisions. The Regulation Z changes were issued on March 22, 1995, effective October 1, 1995. Coverage was expanded on December 20, 2001, with compliance optional until October 1, 2002. The Consumer Financial Protection Bureau (CFPB) issued amendments to the final rule on High Cost Mortgage Loans on January 10, 2013, for which the effective date is January 10, 2014.

NewRez Policy

NewRez does not originate or purchase loans that exceed either the Section 32 APR or points and fees thresholds or have certain other features that make them "high cost" loans under the federal Home Ownership and Equity Protection Act ("HOEPA") or similar applicable state laws.

"Section 32 Loan" Scope

Under the new rules, only the following loans are excluded from the high cost loan provisions:

- A reverse-mortgage transaction subject to Regulation Z §226.33; or
- Loans originated by HFA's
- Loans to finance the initial construction of a dwelling
- Loans originated through the USDA Rural Service Section 502 Direct Loan Program

A mortgage loan will be considered a Section 32 loan if:

- The Annual Percentage Rate (APR) at consummation of the transaction exceeds the applicable Average Prime Offer Rate (APOR) by more than
 - 6.5 percentage points for most first lien mortgages
 - 8.5 percentage points for first lien mortgage if the dwelling is personal property and the loan amount is less than \$50,000
 - 8.5 percentage points for subordinate liens

OR

- The points and fees exceed 5% of the total loan amount for first lien mortgages of \$20,000 or more. For loan amounts less than \$20,000, the lesser of 8% of the total loan amount or \$1,000 ***These dollar amounts will be adjusted annually for inflation*

OR

- The credit documents permit the creditor to charge or collect a Prepayment Penalty greater than 36 months after consummation or permit said fees to exceed 2% of the amount prepaid.

QM Rebuttable Presumption

NewRez will purchase Qualified Mortgages that fall into the Rebuttable Presumption classification and which otherwise meets our loan purchase eligibility requirements.

Conforming Fannie Mae and Freddie Mac Loans

- Classified as QM Rebuttable Presumption when the APR is greater than or equal to the Average Prime Offer Rate (APOR) for a comparable transaction as of the date the interest rate is set + 1.5%.
- 5/1 ARM products are not permitted.
- Escrows on a Higher Priced Mortgage Loan (HPML) must be maintained on a **primary residence** for a minimum of 5 years.
- DU and LP will not identify if a loan is Rebuttable Presumption and Residual Income requirements must be manually applied on the loan.
- The [Rebuttable Presumption Residual Income Worksheet](#) or a substantially similar form must be submitted on all conventional conforming loans that have a rebuttable presumption of compliance.

Residual Income	
Residual income is the qualified gross monthly income less the gross monthly debt. The debt and income used to calculate the DTI ratio should be used for the residual income evaluation per the base product guidelines.	
Primary Residence	
If monthly residual income is...	Then, the minimum reserves required are...
\$2500 or greater	No minimum reserves, comply with minimum reserves requirement for the base loan program.
>= \$800 < \$2500	The greater of: <ul style="list-style-type: none"> Three months liquid reserves OR Minimum reserve for base loan program
<\$800	Not eligible
Second Home and Investment Property	
\$2500 or greater	No minimum reserves, comply with minimum reserves requirement for the base loan program.
< \$2500	Not eligible

DU Refi Plus and DU Refi Plus Texas Equity Refinance Loans

- Classified as QM Rebuttable Presumption when the APR is greater than or equal to the Average Prime Offer Rate (APOR) for a comparable transaction as of the date the interest rate is set + 1.5%.
- Verification of employment and income is required.
- Same Servicer minimum credit score of 620 and maximum DTI 45%.
- Non-Same Servicer minimum credit score of 640 and maximum DTI 45%.
- 5/1 ARM products are not permitted. Escrows on a Higher Priced Mortgage Loan (HPML) must be maintained on a **primary residence** for a minimum of 5 years.

FHA Loans

- Classified as QM Rebuttable Presumption when the APR is greater than Average Prime Offer Rate (APOR) for a comparable transaction as of the date the interest rate is set + 1.15% + the Annual MIP Factor.
- 3/1 and 5/1 ARM products are not permitted.
- Fixed (Purchase, Rate & Term & Cash-out) will follow standard FHA guidelines.
- FHA considers all Manufactured Homes to be QM Safe Harbor.

- All FHA Streamline loans classified as QM Rebuttable Presumption are required to be fully credit qualified and follow all FHA guidelines.

VA Loans

- QM Safe Harbor
 - Purchase and Cash-out transactions are all considered QM Safe Harbor.
 - VA IRRRL Loans are classified as QM Safe Harbor if the following requirements are met:
 - The loan being refinanced was originated at least 6 months before the new loan's closing date (note date to note date).
 - Veteran has 0x30 mortgage payment history during 6 months preceding the new loan's closing date.
 - The recoupment period for all allowable fees and costs must not exceed 36 months.
 - The veteran is not 30 days or more past due on the loan being refinanced.
 - The new loan does not increase the principal balance outstanding on the prior loan except to the extent of fees and charges allowed by VA.
 - Total points and fees payable in connection with the new loan are in accordance with 12 CFR 1026.32, will not exceed 3 percent of the total new loan amount, and are in compliance with VA's allowable fees and charges found at 38 CFR 36.4313.
 - The interest rate on the new loan is lower than the interest rate on the existing loan.
 - The new loan is subject to a payment schedule that will fully amortize the loan in accordance with VA regulations.
 - Both the existing loan and the new loan satisfy all other VA requirements.
 - QM Rebuttable Presumption
 - If the loan does not meet any one of the above QM Safe Harbor requirements for VA IRRRL transactions, it is considered a QM Rebuttable Presumption loan and also needs to meet the below requirements:
 - Transactions must be fully credit qualified and follow VA guidelines.
 - 3/1 and 5/1 Hybrid ARM products are not permitted.
 - The [VA IRRRL Qualified Mortgage Certification](#) or substantially similar form must be completed and included in the submission package to confirm whether the loan is a Safe Harbor or a Rebuttable Presumption transaction.

Conforming Fannie Mae and Freddie Mac Loans

The interest rate may not exceed the Fannie Mae 90 day delivery for fixed rate mortgages, plus 100 basis points, then rounded up to the nearest quarter of one percent.

APR Fees

[APR Fee Grid](#)

Truth-in-Lending Act Compliance Alert - Loan Originator Compensation and Anti-Steering Requirements

The Truth in Lending Act and its implementing Regulation Z govern compensation paid to loan originators, which includes mortgage brokers, mortgage brokerage companies, and loan officers, in connection with closed-end transactions secured by a dwelling. The purpose of the loan originator compensation rules is to protect consumers in the mortgage market from unfair or abusive lending practices that can arise from certain loan originator compensation practices, while preserving responsible lending and sustainable homeownership.

In general, the loan originator compensation rules prohibit:

- Basing loan originator compensation on **loan terms or conditions**, including interest rate, loan type, or profitability of the transaction. Compensation based on a fixed percentage of the amount of credit extended is permitted.
- **Dual compensation** to the loan originator from both the consumer and a party other than the consumer.

Important

- Applies to consumer paid as well as lender paid transactions.
- Requires that mortgage originators be qualified, registered or licensed, if applicable, and provide their NMLS ID number on loan documents.

Definition of Loan Originator

The term “loan originator” is a person who, in expectation of direct or indirect compensation or other monetary gain or for direct or indirect compensation or other monetary gain, performs any of the following activities:

- Takes an application
- Offers, arranges, assists a consumer in obtaining or applying to obtain an extension of consumer credit, including referring a consumer to any person who participates in the origination process as a loan originator;
- Negotiates, or otherwise obtains or makes an extension of consumer credit for another person; or
- Through advertising or other means of communication represents to the public that such person can or will perform any of these activities.

Loan Originator Compensation

Reg Z Section 1026.36(d)(1) prohibits loan originator compensation in an amount that is based on any of the transaction’s terms or conditions or a proxy for a term or condition of the transaction. The loan amount is not considered a transaction term or condition, provided the compensation paid is based on a fixed percentage of the amount of the loan. Compensation may be subject to a minimum or maximum dollar amount.

Pricing Concessions

A creditor and loan originator may not agree to set an originator’s compensation at a certain level and then subsequently lower it in selected cases. The loan originator also may not agree to reduce its compensation or provide a credit to the consumer to pay a portion of the consumer’s closing costs or to avoid high cost loan provisions.

The loan originator cannot reduce its own compensation in a transaction where the loan originator is being paid directly by the consumer.

The loan originator could decrease its compensation to defray the cost of an unforeseen increase in an actual settlement cost over the estimated settlement cost that was disclosed to the consumer in the Loan Estimate or an unforeseen actual settlement cost that was not disclosed to the consumer in the Loan Estimate. The cost or increase in cost would be considered unforeseen if the increase occurs even though the estimate provided to the consumer is consistent with the best information reasonably available to the loan originator at the time the Loan Estimate disclosure was made.

Prohibition on Steering

To qualify for the safe harbor under the anti-steering rule, the loan originator must provide the consumer with the following loan options: (a) the loan with the lowest interest rate; (b) the loan with the lowest rate without various special terms; and (c) the loan with the lowest total dollar amount for originations points or fees and discount points.

Option (c) has been changed to “the loan with the lowest total dollar amount of discount points, origination points or origination fees (or, if two or more loans have the same total dollar amount of discount points or origination fees, the loan with the lowest interest rate that has the lowest total dollar amount of discount points, origination points or origination fees)”.

NMLS ID Numbers on Loan Documents

A loan originator with primary responsibility for the loan origination and loan originator organization must include their names and NMLS ID numbers on the credit application.

The name of the individual loan originator with primary responsibility for the loan origination and the creditor on the loan, along with their NMLS ID numbers must appear on the following documents:

- Note or loan contract
- Mortgage/deed of trust

The information does not need to appear on every page of the documents.

204 TILA RESPA Integrated Disclosure (TRID)

Loan Estimate (LE)

LE Timing Requirements

- The initial LE must be provided within three business days of receipt of an application.
- The initial LE must be provided no less than seven business days prior to consummation.
- A revised LE must be provided within three business days when there is a valid changed circumstance and within three business days of when the interest rate is locked.
- The last revised LE must be provided no later than four business days prior to consummation.
- LE must not be provided on or after the date the CD has been provided to the consumer(s).

Changed Circumstances

Creditors are bound by the LE provided within three business days of application and may not issue revisions to the form to correct technical errors, miscalculations or underestimated charges. However, creditors are permitted to increase an estimated charge beyond the applicable tolerance limitations if the increase is due to one of the six valid reasons noted in the rule. **To the extent an updated LE is issued, the correspondent loan file must include any updated LE along with documentation to support the issuance of the revised LE and the appropriate cover letter explaining the change(s) that occurred.**

For fees in the 0% tolerance bucket, the revised LE must be issued within 3 business days of the triggering event.

For fees in the 10% tolerance bucket, the timing requirement for issuance of the revised LE is based on when fees in the aggregate exceed the total of the fees disclosed on the initial LE by more than 10%. If two or more charges in the 10% bucket increase at different times by 10% or less due to independent changed circumstances, the rule provides flexibility as to when the revised LE may be provided. For example, assume a creditor receives information on Monday that due to a changed circumstance the title fees are increasing by 6% over the amount included on the initial LE. Then, two weeks later, the creditor receives information that the pest inspection fees are increasing by 5% over the amount included on the initial LE. The creditor has the option of either disclosing the 6% increase in the title fees on a revised LE within 3 business days of the triggering event, or waiting to re-disclose the LE until the fees in the 10% bucket have increased in the aggregate by more than 10%. NewRez will accept either approach in correspondent loan files. However, at the

time of loan closing, when comparing the final fees to the originally estimated fees to determine if any tolerance cure is required, the lender must compare the fees in the 10% bucket to the fees per the initial LE if the fees in the aggregate have not increased by more than 10%.

In terms of timing limitations on revised LEs, a revised LE may not be provided on or after the date the Closing Disclosure is provided.

Intent to Proceed

NewRez does not have specific requirements on how the lender documents intent to proceed outside of what is specified under the rule.

LE Signature Requirements

NewRez does not require the consumer(s) to sign the LE.

Service Providers List

If the consumer is permitted to shop for a required settlement service, the Client must provide the consumer with a written list identifying available providers of that particular settlement service specifying at least one available provider and stating that the consumer may choose a different provider.

The list must be separate from the LE but issued at the same time.

Discount Points

Points paid to the client to reduce the interest rate must be disclosed as a separate line item on page two "Origination Charges" and be listed as both a dollar amount and as a percentage of the amount of credit extended, labeled: "% of Loan Amount (Points)."

Other Considerations Section

NewRez will accept the appraisal and servicing disclosure language which has been integrated into the Other Considerations section on LE in lieu of separate disclosures; provided the LE has been completed and disclosed with the model form verbiage per the rule.

Record Retention

Each completed LE and any related documents must be retained for **three years**. The three year period is from the later of the date of consummation, the date disclosures are required to be made, or the date action is required to be taken.

Closing Disclosure (CD)

Preparation of the CD

NewRez has no specific purchase requirements regarding who prepares the CD beyond the options available under the rule.

Timing Requirements

The "specific" definition of business days includes all calendar days except Sunday and the legal national holidays (same as rescission).

"Specific" business days' definition applies to all of the various timing requirements under the Rule including the following:

- Counting the seven (7) business day waiting period before consummation following provision of a Loan Estimate
- To determine the four (4) business days prior to consummation by which the consumer must receive a revised Loan Estimate
- To determine the three (3) business day waiting period before consummation of the Closing Disclosure

The "general" definition of a business day is defined as a day on which the creditor's offices are open to the public for carrying out substantially all of its business functions.

"General" business days' definition applies to all of the various timing requirements under the Rule including the following:

- Counting the three (3) business days from application to providing the original Loan Estimate
- Counting the three (3) business days from an event to provide a revised Loan Estimate or Closing Disclosure
- Counting the three (3) business day period for receipt of a Loan Estimate not delivered in person.

Waiver of Waiting Period

Although the Rule allows a waiver or modification of the three (3) business day waiting period after receipt of the Closing Disclosure, **NewRez will not allow this practice.**

Who Must Receive:

If the loan transaction is rescindable, the Closing Disclosure must be given separately to each consumer who has the right to rescind the transaction. In transactions that are not rescindable, the Closing Disclosure may be provided to any applicant with primary liability on the obligation.

Proof of Receipt/Delivery

Please refer to the RESPA-TILA Integrated Disclosure Timing Chart Matrix for additional guidance. Proof of delivery is required for all parties that receive the Closing Disclosure.

CD Signature Requirements - At Closing

NewRez will require final disclosures, including the CD, to be signed and dated at closing by all applicable parties. For rescindable transactions, the CD must be given to each consumer who has the right to rescind.

Projected Payments Table

For the Projected Payments Table (PPT), the Loan Amount, Interest Rate, and P&I (first column) should match the Note. Clients should apply the rule's definition of Projected Payments, accurate amounts, rounding/truncating, adjustable rate payment calculations, and mortgage insurance automatic termination when calculating projected payments.

APR Tolerances (prior to or at consummation)

NewRez considers the disclosure of the Finance Charge amount accurate if it is understated by no more than \$100 on a purchase loan or a loan that does not require rescission. On a loan with a rescission, the tolerance is \$35, based on the foreclosure provision in Regulation Z (Section 1026.23(h)(2)(i)).

In instances where the APR becomes overstated because a finance charge has been reduced, the requirements to re-disclose the Closing Disclosure are:

- If the APR decreases more than 1/8% due to a reduction in a finance charge (Rate, PMI, Origination Charges, Discount Points, etc.), then re-disclosure of the Closing Disclosure to the borrower is not required.
- If the APR decreases more than 1/8% due to a change in terms (loan amount, term, loan product etc.), then re-disclosure of the Closing Disclosure to the borrower is required with new 3 day cool off period.

Re-disclosure is required in instances where the APR increases by more than 1/8% as compared to the previously disclosed Closing Disclosure.

If a review of the loan file determines that certain fees were not disclosed as finance charges and the disclosure varies from the actual finance charges by more than the tolerances stated above, NewRez will require that the loan be remedied.

Purchase Transaction:

- The under-disclosed amount must be refunded to the borrower - a copy of the check to the borrower will be required.
- A new copy of the Closing Disclosure disclosing the refund.
- A copy of the letter to the borrower explaining the reason for the refund.
- Proof of delivery of all above to the borrower - overnight carriers tracking information that confirms delivery or a USPS confirmation of receipt slip.

Refinance Transaction:

- The under-disclosed amount must be refunded to the borrower - a copy of the check to the borrower will be required.
- A new copy of the Closing Disclosure disclosing the refund.
- Rescission must be reopened - provide a new Right to Cancel to each borrower.
- Wait three days or more after the borrower(s) receive the RTC, Corrected Closing Disclosure, and refund for the rescission period to end.
- A copy of the letter to the borrower explaining the reason for the refund.

Proof of delivery of all above to the borrower - overnight carriers tracking information that confirms delivery or a USPS confirmation of receipt slip.

Lender Credits

If a creditor is using a general lender credit, including a premium pricing credit, to reduce Finance Charges, or offset fees that would otherwise be included in Federal or state high cost calculations, or reduce fees included in Qualified Mortgage Points and Fees calculations, NewRez will require an itemization of the credit. In addition, copies of compliance reports, such as Mavent or Compliance Ease, should also be included when submitting the loan to NewRez.

Changes to the CD (prior to consummation) / Impacts to Wait Period

Changes that require re-disclosure and a new three business day wait period prior to consummation:

- Change in the APR outside of the tolerance
- Change in the Loan product
- Addition of a prepayment penalty (Note: NewRez will not purchase Loans with a prepayment penalty.)

Changes to Fees after CD is Issued

If there are increases in fees after the initial CD is issued, in order to determine if the increased fee may be charged to the borrower, the creditor should compare the date the revised LE would have been required to be issued to the date of consummation. If there are less than 4 business days between those two dates, the increased charge could be reflected on the final CD and collected from the borrower. However, if there are 4 or more business days between the date on which a revised LE would normally be required and the date of consummation, the updated charge could not be reflected in the final CD. Copies of documentation to support such fee increases must be included in the loan file submitted to NewRez.

Closing Date Field

Clients should apply the rule's definition of consummation date and enter that date on page 1 of the CD in the Closing Date field.

Post Consummation Corrected CD - Changes to Amount Paid by Consumer

If, during the 30 calendar day period following consummation, an event in connection with the settlement occurs that causes the CD to become inaccurate and the inaccuracy results in a change to an amount actually paid by the consumer (e.g., the fee charged by the recorder's office after Closing for recording the security instrument differs from the amount disclosed and paid at closing), the lender must provide to the consumer a corrected CD within 30 calendar days of receiving information sufficient to establish that such an event has occurred.

Non-Numerical Clerical Errors

For non-numerical clerical errors, the lender must provide a corrected CD no later than 60 calendar days after consummation.

Tolerance Refunds

In the event a RESPA tolerance violation is discovered during the pre-purchase audit of the closed loan file, NewRez will require evidence of a refund to the borrower in order to cure the violation.

- If the tolerance violation was cured at closing, the Final Closing Disclosure must reflect the credit to the borrower accordingly.
- If the tolerance violation was not identified at closing but was discovered during the pre-purchase loan review, the Lender must provide the following documentation to support that the violation was cured within 60 calendar days from the Note date.
 - A copy of the refund check to the borrower
 - A copy of the letter sent to the borrower explaining the refund
 - Revised Closing Disclosure

NOTE: If a tolerance violation is not cured within 60 calendar days of the Note date or documentation regarding the cure is not available, the loan is not eligible for purchase by NewRez.

Record Retention

Under the rule, each completed CD and any related documents must be retained for **five years** after consummation by the lender or any assignee.

Loan Estimate and Closing Disclosure

Receipt of the LE and CD

NewRez will presume receipt of the disclosures by the consumer three business days after the Date Issued on the disclosure, if not otherwise indicated by evidence of alternative documentation supporting earlier receipt.

Examples of alternative documentation to evidence earlier receipt:

Hand Delivery or Fax: Disclosures hand-delivered or faxed to the consumer(s) will be considered "received" by the consumer(s) on the date they sign and date the disclosure.

Overnight Delivery: Disclosures shipped overnight, will be considered "received" on the date the consumer(s) sign for receipt of the overnight delivery.

Email/E-Sign: Per the rule, lenders may use electronic delivery methods subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign).

For Clients who deliver electronic disclosures, file evidence of the consumers consent to receive disclosures electronically must be provided along with the audit trail document evidencing receipt.

Waiver of Wait Periods

NewRez will not purchase Loans where the consumer has waived any of the required wait periods as defined by the rule (e.g. initial seven day LE, three day CD prior to consummation).

Fee Tolerances / Tolerance Limitations

Zero Tolerance (0% Bucket)	Limited Increase (10% Bucket)	Increases Permitted
Fees paid to the creditor or to an affiliate of the creditor	Fees paid to 3rd parties where creditor permits the consumer to shop and consumer selects provider on the creditor's written list	Fees paid to 3rd parties where creditor permits the consumer to shop and consumer selects their own provider not on the creditor's written list
Fees paid to 3rd parties where creditor does not permit consumer to shop	Recording fees	Fees paid to 3rd parties for services not required by the creditor
Transfer taxes		Prepaid interest
		Property insurance premiums
		Escrow amounts

Fee Tolerance Example

The tolerance would depend on how the subordination is being handled. If the fee is paid directly to the subordinating lender or to the lender/affiliate of the lender, then it will be in the 0% bucket. If the fee is paid to the title company who will coordinate the subordination, it would be in the 10% bucket if the consumer was allowed to shop for title services and chose a provider listed on the SSPL. If the fee is paid to a title company not listed on the Written List of Providers, it would not be subject to any tolerance limitations since the consumer selected their own provider.

Resources / Consumer Financial Protection Bureau

The final TRID rule along with sample LE and CD forms, training guides, disclosure timelines and compliance guides can be accessed on the CFPB website at <http://www.consumerfinance.gov/regulatory-implementation/tila-respa/>.

205 Other Federal Laws
Fair Lending Policy
Fair Lending and Servicing Policy ("Policy")

NewRez is committed to fair lending and servicing. It is our policy to make credit products available to all applicants and service accounts on a consistent and fair basis in compliance with the Equal Credit Opportunity Act, the Fair Housing Act, and state and local fair lending laws, including, but not limited to, New York Executive Law 296-a.

NewRez will not discriminate against any customer on the basis of race, color, religion, creed, national origin, ancestry, sex, marital status, familial status (defined as children under the age of 18 living with a parent or legal custodian, pregnant

women, and any person in the process of securing custody of any individual under 18), sexual orientation, gender identity, age (provided that the applicant has the capacity to enter into a binding agreement), medical history, disability, physical condition, military status, the applicant having in good faith exercised any right under the Consumer Credit Protection Act or the Service members Civil Relief Act, that all or part of an applicant's income derives in whole or in part from a public assistance program, or any other basis prohibited by applicable law.

NewRez requires that all third parties who provide credit-related services, including approved mortgage correspondents, comply with the Policy, as well as with applicable fair lending and servicing laws as detailed below. NewRez may require that such providers provide proof of compliance with this Policy.

Applicable Laws and Regulations

Various laws and regulations have been enacted to prevent discrimination and to promote fair lending and servicing practices. The most prominent of the fair lending laws, regulations and regulatory guidance in the U.S. applicable to the residential mortgage industry are as follows:

Equal Credit Opportunity Act (ECOA)

ECOA and its implementing Regulation B provides for equal access to credit for applicants who have similar qualifications with respect to creditworthiness. Regulation B and the ECOA apply to all requests for credit, including loans secured by owner- and non-owner-occupied property. The ECOA and Regulation B prohibit a lender from discriminating against an applicant during any part of a lending transaction on the basis of:

- Race;
- Color;
- Religion;
- National origin;
- Sex;
- Marital Status;
- Age (provided that the applicant has the capacity to enter into a binding agreement);
- Because all or part of the applicant's income derives from any public assistance program; or
- Because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

Note: In Financial Institution Letter 22-2006, the Federal Deposit Insurance Corporation (FDIC) made it clear that denying credit or taking other adverse actions related to credit because of the presence of a fraud or active duty alert on a credit report constitutes unlawful discrimination based on the exercise of a right under the Consumer Credit Protection Act, thus violating the ECOA. Although the letter applies only to FDIC-supervised financial institutions, the guidance in the letter is instructive for any mortgage lender.

Lenders are also required to collect information about the applicant's race and other personal characteristics and provide applicants with copies of appraisal reports and other valuations used in connections with credit transactions.

Fair Housing Act (FHA)

The FHA prohibits discrimination in all aspects of "residential real-estate related transactions," including (but not limited to):

- Making loans to buy, build, repair or improve a dwelling;
- Purchasing real estate loans;
- Selling, brokering, or appraising residential real estate; and

- Selling or renting a dwelling.

The FHA prohibits discrimination based on:

- Race;
- Color;
- National origin;
- Religion;
- Sex;
- Familial status (defined as children under the age of 18 living with a parent or legal custodian, pregnant women, and any person who is in the process of securing custody of any individual who is under 18);
- Handicap;
- Sexual orientation; and
- Gender identity.

The FHA requires lenders to prominently display a fair housing poster at their offices and branches so that it is readily apparent to all persons seeking residential real estate-related services.

Finally, the FHA requires lenders to make reasonable accommodations for a person with disabilities when such accommodations are necessary to afford the person an equal opportunity to apply for credit.

Home Mortgage Disclosure Act (HMDA)

The Federal Home Mortgage Disclosure Act ("HMDA") and its implementing regulation, Regulation C, require the collection and annual reporting of residential loan statistics in terms of, among other things, applicants' race, gender, geographic location characteristics, and loan pricing information. The compilation of HMDA data permits the public and regulators to compare lending rates between minority and non-minority populations.

Lenders are required to include a completed Initial Uniform Residential Loan Application (1003/65) as well as a completed Final Uniform Residential Loan Application (1003/65) in all loan files delivered for purchase. All borrowers, as well as the Mortgage Loan Originator (MLO), must sign and date both the Initial and Final Applications (1003/65).

All information required by the Home Mortgage Disclosure Act (HMDA) must be completed including, but not limited to, the Demographic Information Addendum (1003/65).

Various State and Local Laws

These laws may offer the same protections as those enacted at the federal level, or they may include other criteria that are related to anti-discrimination and anti-predatory lending and servicing requirements. NewRez will comply with these laws, including, but not limited to, New York Executive Law Section 296-a.

Regulatory Guidances

NewRez's primary federal regulator is the Consumer Financial Protection Bureau (CFPB). For fair lending scoping and examination, the CFPB temporarily adopted the Federal Financial Institutions Examination Council (FFIEC) Inter-agency Fair Lending Examination Procedures.

The FFIEC points out in the Inter-agency Fair Lending Examination Procedures that under the ECOA and the FHA, a lender may not, because of a prohibited factor:

- Fail to provide information or services or provide different information or services regarding any aspect of the lending process, including credit availability, application procedures, or lending standards;
- Discourage or selectively encourage applicants with respect to inquiries about or applications for credit;
- Refuse to extend credit or use different standards in determining whether to extend credit;
- Vary the terms of credit offered, including the amount, interest rate, duration, or type of loan;
- Use different standards to evaluate collateral;
- Treat a borrower differently in servicing a loan or invoking default remedies; or
- Use different standards for pooling or packaging a loan in the secondary market.

A lender may not express, orally or in writing, a preference based on prohibited factors or indicate that it will treat applicants differently on a prohibited basis.

A lender may not discriminate on a prohibited basis because of the characteristics of:

- An applicant, prospective applicant, or borrower;
- A person associated with an applicant, prospective applicant, or borrower (for example, a co-applicant, spouse, business partner, or live-in aide); or
- The present or prospective occupants of either the property to be financed or the neighborhood or other area where property to be financed is located.

Adverse Action Changes

Section 1100F of the Dodd-Frank Act amends Section 615(a) of the Fair Credit Reporting Act ("FCRA") to require that creditors disclose additional information on FCRA adverse action notices when the creditor uses a credit score in taking adverse action. The additional requirements include:

1. The numerical credit score used in making the credit decision;
2. Range of possible scores under the model used;
3. Key factors that adversely affected the credit score of the consumer in the model used;
4. Date on which the credit score was created; and
5. Name of the person or entity that provided the credit score.

This additional information is required only if a credit score is used in taking the adverse action.

The Equal Credit Opportunity Act ("ECOA") requires disclosure of the principal reasons for denying or taking other adverse action on an application for credit. FCRA's new requirements include disclosure of the credit score used by the creditor in taking adverse action along with related information such as the key factors that adversely affected the consumer's credit score. Under the new requirements, both disclosure of the key factors that adversely affected the consumer's credit score and the specific reasons for denying credit or taking other adverse action are required to fulfill the requirements of ECOA and FCRA.

In a rule relating to a different subsection of Dodd-Frank 1100F that also addressed credit score disclosures, the Federal Reserve has made clear that notices containing credit scores must contain only the credit scores of the consumer to whom the notice is addressed. Thus, effective July 21, 2011, NewRez will provide separate adverse action notices for each co-applicant when the credit score was used in making the credit decision. Each adverse action notice will show only the credit score of the co-applicant identified on that adverse action notice and must be sent only to that co-applicant.

When a credit score was not used in the credit decision, only one adverse action will be provided for both or multiple co-applicants just as the process exists currently.

ECOA Appraisal Requirements

Transactions Impacted

All first lien transactions secured by a dwelling.

Appraisal Disclosure Requirements

A creditor shall mail or deliver to an applicant, no later than 3 business days following application, a notice of the applicant's right to receive a copy of all written appraisals and valuations developed in connection with the application must be included in all files submitted to NewRez for purchase. An appraisal or other written valuation includes, without limitation, an appraisal or other valuation received or developed by the creditor in paper form, electronically, or by any other similar media.

Appraiser Independence Requirements (AIR)

All loans sold to NewRez must be AIR compliant. Lenders must provide their internal policies and procedures regarding the ordering of the appraisals and management when applying for Lender approval.

Providing Copies of Appraisals

A creditor must provide a copy of all appraisals and written valuations **promptly upon completion**, or 3 business days prior to consummation, whichever is earlier. If multiple versions of an appraisal or other valuation are received, the creditor is only required to provide a copy of the latest version received. However, if the creditor has already provided a copy and a later version is received, the creditor would have to provide a copy of the later version. It is important to note the CFPB's requirements as to the complying with the "promptly upon completion" standard as noted in the Commentary to Regulation B. Copies of the appraisal or written valuations may be provided to the applicant in electronic format, subject to compliance with consumer consent and applicable provisions of the E-Sign Act.

This obligation applies whether the loan is approved or denied or if the application is incomplete or withdrawn.

If there is more than one applicant, the written notice and the copies of the appraisal or valuations only need to be given to one applicant. However, if it is readily apparent that one of the applicants is the primary applicant, the disclosure and copies should be given to that applicant.

Correspondent clients must provide a free copy of the appraisal or other written valuation to the borrowers on all loans submitted to NewRez for purchase.

Transfer of Appraisals

NewRez will not allow the transfer of an appraisal on conventional loans, regardless of Fannie Mae or Freddie Mac's acceptance based on certain documentation.

Definition of Valuations

Any estimate of the value of a dwelling developed in connection with an application for credit.

Examples:

- Report prepared by an appraiser including the appraiser's estimate or opinion of value
- Document prepared by a creditor's staff that assigns value to the property

- A report generated by AVM
- Report approved by a GSE for describing to the applicant the estimate of the property's value pursuant to the proprietary methodology or mechanism of the GSE

Documents that are not considered valuations:

- Internal documents that merely restate the estimated value of the dwelling contained in an appraisal or valuation being provided to the applicant
- Governmental agency statements of appraised value that are publicly available
- Manufacturer's invoices for manufactured homes
- Reports reflecting property inspections that do not provide an estimate or opinion of the value of the property and are not used to develop the estimate or opinion
- Publicly available lists of valuations (e.g., published sales prices or mortgage amounts, tax assessments and retail price ranges)
- Appraisal reviews that do not include the appraiser's estimate of the property's value or opinion of value.

E-Sign Act - Consumer Disclosures

If a statute, regulation, or other rule of law requires that information relating to a transaction or transactions be provided or made available to a consumer in writing, the use of an electronic record to provide or make available (whichever is required) such information satisfies the requirement that such information be in writing if:

- The consumer has affirmatively consented to the use of an electronic record and has not withdrawn consent;
- The consumer, prior to consenting, is provided with a clear and conspicuous statement:
 - Informing the consumer of (I) any right or option of the consumer to have the record provided or made available on paper or in non-electronic form, and (II) the right of the consumer to withdraw the consent to have the record provided or made available in an electronic form and of any conditions, consequences (which may include termination of the parties' relationship), or fees in the event of such withdrawal;
 - Informing the consumer of whether the consent applies (I) only to the particular transaction which gave rise to the obligation to provide the record, or (II) to identified categories of records that may be provided or made available during the course of the parties' relationship;
 - Describing the procedures the consumer must use to withdraw consent as provided above and to update information needed to contact the consumer electronically; and
 - Informing the consumer (I) how, after the consent, the consumer may, upon request, obtain a paper copy of an electronic record, and (II) whether any fee will be charged for such copy;
- The consumer:
 - Prior to consenting, is provided with a statement of the hardware and software requirements for access to and retention of the electronic records; and
 - Consents electronically, or confirms his or her consent electronically, in a manner that reasonably demonstrates that the consumer can access information in the electronic form that will be used to provide the information that is the subject of the consent; and
- After the consent of a consumer in accordance with the provision of the required clear and conspicuous statement, if a change in the hardware or software requirements needed to access or retain electronic records creates a material risk that the consumer will not be able to access or retain a subsequent electronic record that was the subject of the consent, the person providing the electronic record:
 - Provides the consumer with a statement of (I) the revised hardware and software requirements for access to and retention of the electronic records, and (II) the right to withdraw consent without the imposition of any fees for such withdrawal and without the imposition of any condition or consequence that was not previously disclosed; and
 - Again complies with the provision regarding the disclosure or hardware and software requirements.

Other Rights**Preservation of Consumer Protections**

Nothing in this Act affects the content or timing of any disclosure or other record required to be provided or made available to any consumer under any statute, regulation, or other rule of law.

Verification or Acknowledgment

If a law that was enacted prior to this chapter expressly requires a record to be provided or made available by a specified method that requires verification or acknowledgment of receipt, the record may be provided or made available electronically only if the method used provides verification or acknowledgment of receipt (whichever is required).

Effect of Failure to Obtain Electronic Consent or Confirmation of Consent

The legal effectiveness, validity, or enforceability of any contract executed by a consumer shall not be denied solely because of the failure to obtain electronic consent or confirmation of consent by that consumer in accordance with the requirements above.

Prospective Effect

Withdrawal of consent by a consumer shall not affect the legal effectiveness, validity, or enforceability of electronic records provided or made available to that consumer in accordance with the above requirements prior to implementation of the consumer's withdrawal of consent. A consumer's withdrawal of consent shall be effective within a reasonable period of time after receipt of the withdrawal by the provider of the record. Failure to comply with the requirement to notify a consumer of a change in hardware and/or software requirements may, at the election of the consumer, be treated as a withdrawal of consent for purposes of this paragraph.

Prior Consent

This Act does not apply to any records that are provided or made available to a consumer who has consented prior to the effective date of this Act to receive such records in electronic form as permitted by any statute, regulation, or other rule of law.

Retention Requirements**Accuracy and Accessibility**

If a statute, regulation, or other rule of law requires that a contract or other record relating to a transaction in or affecting interstate or foreign commerce be retained, that requirement is met by retaining an electronic record of the information in the contract or other record that:

- Accurately reflects the information set forth in the contract or other record; and
- Remains accessible to all persons who are entitled to access by statute, regulation, or rule of law, for the period required by such statute, regulation, or rule of law, in a form that is capable of being accurately reproduced for later reference, whether by transmission, printing, or otherwise.

A requirement to retain a contract or other record in accordance with the above does not apply to any information whose sole purpose is to enable the contract or other record to be sent, communicated, or received.

Originals

If a statute, regulation, or other rule of law requires a contract or other record relating to a transaction in or affecting interstate or foreign commerce to be provided, available, or retained in its original form, or provides consequences if the contract or other record is not provided, available, or retained in its original form, that statute, regulation, or rule of law is satisfied by an electronic record that complies with the Accuracy and Accessibility requirements above.

Accuracy and Ability to Retain Contracts and Other Records

If a statute, regulation, or other rule of law requires that a contract or other record relating to a transaction be in writing, the legal effect, validity, or enforceability of an electronic record of such contract or other record may be denied if such electronic record is not in a form that is capable of being retained and accurately reproduced for later reference by all parties or persons who are entitled to retain the contract or other record.

Executive Terrorist Order 13224 Blocking Terrorist Property (OFAC)

Shortly, after the September 11, 2001, terrorist attack, President Bush issued Executive Order 13224 (the "Order"). The Order, which became effective September 24, 2001, is published on the Treasury Department website at <http://www.treas.gov/offices/enforcement/ofac/>. In general, the Order prohibits any United States person, including a company organized under the laws of the United States, from entering into a transaction with a suspected terrorist. The Executive Order also provides that all "property and interests in property" of suspected terrorists are blocked. Financial institutions are required to notify the Office of Foreign Assets Control (OFAC) when assets are blocked.

The Order, which became effective September 24, 2001, included an Annex to the Order that contained an initial list of designated "blocked persons." The list is updated periodically by OFAC. The list of blocked persons published by OFAC is referred to as the "Specially Designated Nationals and Blocked Persons" list (the "SDN list").

Who must comply with Executive Order 13224?

Mortgage lenders and mortgage servicers clearly must comply with the Executive Order. The Executive Order prohibits any "United States person" from engaging in any transactions or dealings in the property of anyone on the SDN list. The Executive Order defines a "United States person" as any United States citizen, permanent resident alien, entity organized under the laws of the United States (including foreign branches), or any person in the United States

What transactions are covered by Executive Order 13224?

The Executive Order is extremely broad. Every transaction involving a "blocked person" in any way is likely to be subject to the Executive Order. Every type of transaction should be reviewed for OFAC compliance, including without limitation, the following:

- Loans to individuals;
- Loans to businesses;
- Acceptance of loan payments;
- Wire transfers;
- Payments to and from escrow accounts;
- Collateral pledges;
- Payments to service providers; and
- Payments to employees and contractors.

For example, a lender would be prohibited from accepting the payment of fees from or closing a loan with a blocked person. A servicer would be prohibited from accepting monthly payments from a blocked person or disbursing payments to an investor, a taxing authority or an insurance company.

Which names should be checked against the SDN list?

The names of all parties to a transaction or who may participate in or benefit financially from the transaction should be checked, including:

- Borrowers;
- Beneficiaries;
- Guarantors/Cosigners;
- Principal officers of the company in a business transaction.

If you have questions regarding which databases should be checked or which names should be checked, you should consult with your legal counsel.

When should the SDN list be checked?

- Each new transaction should be examined to ensure that the individuals involved in the transaction are not on the SDN list. If there is no match, then the transaction may proceed.
- The entire customer database should be checked whenever the SDN list is updated by OFAC to ensure that no current customers are OFAC matches. OFAC will notify you when it changes its SDN list if you sign up for the OFAC Alert Service. Alternatively, an employee can be assigned responsibility for checking the OFAC website daily to determine whether the SDN list has been updated.

What are the options for searching the SDN list?

There are three primary alternatives:

- **Manually search the printed SDN list.** OFAC recommends against using this method. Since there are many names on the SDN list, manual searching is very difficult and time consuming. OFAC has found that most companies that plan to do this, end up searching the list very rarely in practice. The difficulty of manual searching and incompleteness of this solution expose the company to the risk of an OFAC violation.
- **Develop a simple text search routine.** OFAC provides downloadable text files that can be searched. However, an exact string search for matches will generally miss true matches, because the search will miss name variations, name order differences, abbreviation and initialization differences, foreign transliteration variations, and potential typos. In addition, a simple straight-text search on single words will produce a large number of needless false positive matches, greatly adding to the compliance burden. While less burdensome than manual searching, simple text searching of OFAC's SDN list carries the risk of easily missing true matches, as well as having excess false positive matches.
- **Purchase specialized OFAC software.** The most effective and efficient name checks are likely to be those done with software programs that check customer names and the names of transacting parties against a database of the "blocked person" names on the SDN list. The OFAC software automatically updates the list and should be able to intelligently catch name variations, name order differences, abbreviations, initializations, foreign transliteration variations, typos, and more, while minimizing false positive matches. It is also becoming the standard for due diligence. In the case of undetected names, OFAC favorably considers the use of software as a mitigating factor. Before relying on a software program, a company should take reasonable steps to determine whether the software is reliable and effective.

There are a number of companies that offer software programs that assist companies in complying with OFAC rules. The following list of software companies is not intended to be exhaustive. Companies should explore these, as well as other options. NewRez Correspondent Funding does not recommend or endorse any of the following companies.

- Attus Technologies <http://www.attus.com>
- Bridger Systems
- Innovative Systems <http://www.innovativesystems.com>
- Logica, Inc. <http://www.logicacmg.com>
- Primary Payment Systems <http://www.primarypayments.com>
- Thompson Financial Publishing <http://www.tfp.com>

What should be done if a name check reveals a match?

- Temporarily block assets or refrain from entering into a transaction for as long as needed to determine whether the match is real or a "false positive."
- Take steps to determine whether the person is in fact the "blocked person" on the OFAC list or a "false positive."
- If any questions remain about whether a name match is a "false positive" or a true match, contact OFAC at 1.800.540.6322 or 202.642.2290.

What should be done if OFAC has confirmed that there is a true match?

- Refuse to engage in any proposed transaction with the person.
- Freeze all funds or assets of the person that are within the company's control. This means that funds must be placed into an interest-bearing account from which only OFAC-authorized debits may be made. OFAC regulations require that funds earn interest at a commercially reasonable rate, i.e., at a rate currently offered to other depositors on deposits or instruments of comparable size and maturity.
- Call OFAC to determine whether any other steps should be taken.
- Notify OFAC by fax within 10 days. Any transaction that has been blocked or rejected must be reported to OFAC within ten business days from the date the property was blocked (OFAC's fax number is 202-622-1657). The form of the report, and other information regarding the report, is available on OFAC's website at <http://www.treasury.gov/ofac>.
- File annual report regarding all blocked assets. Any company that blocks assets pursuant to the Executive Order is required to file an annual report of all blocked property held as of June 30. The report is due by September 30 of each year. The form of the report, and other information regarding the report, is available on OFAC's website at <http://www.treasury.gov/ofac>.
- Retain record of blocked transaction. OFAC requires the retention of all reports and blocked or rejected transaction records for five years.

If a company wishes OFAC to consider releasing funds that have been blocked, it is possible to apply for a specific license. The company must provide certain information to OFAC, including the following:

- Name of the blocked entity/account holder;
- Amount of blocked funds;
- Date of blocking;
- Copies of documentation related to the underlying transaction;
- Documentation of the transaction;
- Justification for the release of funds.

What should an OFAC Compliance Program include?

When OFAC is considering whether to impose civil or criminal penalties for a violation of the Executive Order, it will consider the nature and extent of a company's internal compliance efforts. Establishing a compliance program and developing internal audit procedures is key to preventing an OFAC violation. The following are general guidelines for setting up an OFAC compliance program.

- Designate a compliance officer. OFAC suggests that every institution designate a compliance officer who is responsible for monitoring compliance within the institution and overseeing blocked accounts and securities.

- Assess the risk. The company should assess the risk of potential OFAC violations in each area of the company. Appropriate software should be purchased for risk areas as deemed necessary.
- Publish policies and procedures. Policies and procedures for complying with the Executive Order should be included in internal policy and procedures manuals. In each department, clear rules and procedures for handling potential violations should be established and a "go-to person" should be designated.
- Establish a training program. The company should establish a training program throughout the organization. Copies of the internal OFAC policies and procedures should be distributed and all employees should sign a statement indicating that they have read and understand them.
- Conduct OFAC audits. An audit of each department should be conducted at least once a year. The audit should verify that procedures, once established, are being followed.

What are the penalties for not complying with Executive Order 13224?

Federal law imposes both civil and criminal penalties for violations of the Executive Order. Criminal penalties for companies can range up to \$500,000 per violation. Criminal penalties for individuals can range up to \$250,000 per violation and/or ten years in jail. Civil penalties of up to \$11,000 can be imposed against companies and individuals. OFAC will consider mitigating factors such as:

- The nature of the compliance program, if any, that the company has adopted to comply with the Executive Order; and
- The amount of training the company has provided to its employees regarding compliance with the Executive Order.

Source of Funds - OFAC Sanctions

If it is determined through the underwriting process that the borrower's source of funds for the down payment or closing costs is from a country included on the list provided below, additional due diligence is required to ensure compliance with all related OFAC restrictions.

- Balkans
- Belarus
- Burma
- Burundi
- Central African Republic
- Cuba
- Democratic Republic of the Congo
- Iran
- Iraq
- Lebanon
- Libya
- Magnitsky
- Mali
- Nicaragua
- North Korea
- Somalia
- Sudan
- South Sudan
- Syria
- Ukraine
- Venezuela
- Yemen
- Zimbabwe

If the source of the assets (down payment, closing costs and/or reserves) in the loan transaction is from a sanctioned country, the loan must be reviewed on a case by case basis via the exception process to determine eligibility.

All loans submitted with this exception request will be researched to address potential OFAC concerns. The loan will not be approved until this research is completed and it has been determined that there are no related OFAC violations. The results of the enhanced due diligence may result in loan denial.

OFAC Sanctions on specific countries are updated based on global events and not on a regularly-scheduled basis. The most current OFAC Sanctions program list can be accessed on the Department of the Treasury's website at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.

Risk-Based Pricing Rule Compliance Alert - Credit Score Disclosure Notice

The rule requires a creditor that uses a credit report or score in connection with a loan to provide a Risk-Based Pricing Notice when the creditor provides credit (based in whole or in part on the credit report or score) on material terms that are materially less favorable than the most favorable material terms available to a substantial proportion of consumers from or through that creditor.

The notice is required only in connection with credit that is primarily for personal, household, or family purposes, but not in connection with business credit. This includes cash-out refinances of non-owner occupied investment property when the proceeds are used for personal, household, or family purposes such as payment of college tuition, medical expenses, travel, etc.

Determining Who Receives the Notice

The rule offers the following methods for determining which consumers must receive the notice:

Method	Description
<u>Direct Comparison Method</u>	The Direct Comparison method requires that the lender compare the material terms offered to the consumer with the material terms offered to other consumers for a specific type of credit product and determine whether the material terms offered to the consumer are materially less favorable than those available to a substantial proportion of other applications.
<u>Credit Score Proxy Method</u>	The Credit Score Proxy Method requires that the lender determine a credit score (referred to as the "cut-off score") that represents the point at which 40% of its borrowers are above and 60% of its borrowers are below (must be re-calculated at least every two years). Where a lender gives the best terms to more than 40% of consumers, the lender can set the cut-off score at the point where consumers have historically been given less than the best terms. The lender provides the notice to each consumer that is below the cut-off score.
<u>Tiered Pricing Method</u>	If a lender sets pricing based on a number of pricing tiers, those tiers can be used as a proxy for the substantial proportion calculation. The lender would send the notice to consumers who are not within the top tiers (i.e., the lowest priced tiers); the number of tiers that would receive the notice is dependent upon the number of tiers the lender uses. For example, the Lender must send the notice to consumers not qualifying for the top tier if using four or fewer tiers and to consumers not qualifying for the top two tiers if using five or more pricing tiers.

Content Requirements for Notice

Content requirements for the notice include:

- A statement that the credit report includes information about the consumer's credit history and the type of information in that history;

- A statement that the credit terms have been set based on a credit report or score and that the terms may be less favorable than terms offered to consumers with better credit histories;
- A statement encouraging consumers to verify credit report accuracy and has the right to dispute any inaccurate information in the report;
- Contact information for the credit bureau(s) that provided credit report(s) used in the credit decision;
- Notification that the consumer can obtain free credit report from the identified credit bureau(s) within 60 days of receipt of the notice and how to obtain a credit report;
- A statement directing the consumer to the Federal Trade Commission and Federal Reserve Board websites for additional information about credit reports.

Creditors are deemed to be in compliance with the provisions requiring risk-based pricing notices through appropriate use of the model forms.

Exceptions to Requirements for Notice

A Risk-Based Pricing Notice does not need to be provided to the borrower under the following exceptions:

- Where the borrower applies for specific material terms and is granted those terms (*i.e.* a borrower requests a specific APR and is given that specific APR);
- Where the Lender declines loan and adverse action is provided to borrower;
- Prescreened solicitations – If a lender uses a credit score to make a firm offer of credit with a single rate, even when the lender makes other firm offers of credit to other consumers on more favorable terms.

Safe Harbor – Real Estate Secured Credit Exception Notices

The agencies have provided an exception to the general notice requirements; the exception removes the need to determine who is to receive a notice in exchange for providing to all consumers an alternative Residential Mortgage Credit Score Disclosure Exception Notice. This notice can be used for credit secured by one to four units of residential real property and must be provided to all consumers who request credit.

Content Requirements

The alternative notice must contain the following:

- A statement that a consumer report (or credit report) is a record of the consumer's credit history and includes information about whether the consumer pays his or her obligations on time and how much the consumer owes to creditors;
- A statement that a credit score is a number that takes into account information in a consumer report and that a credit score can change over time to reflect changes in the consumer's credit history;
- A statement that the consumer's credit score can affect whether the consumer can obtain credit and what the cost of that credit will be;
- The information required to be disclosed to the consumer pursuant to section 609(g) of the FCRA;
- The distribution of credit scores among consumers who are scored under the same scoring model that is used to generate the consumer's credit score using the same scale as that of the credit score that is provided to the consumer, presented in the form of a bar graph containing a minimum of six bars that illustrates the percentage of consumers with credit scores within the range of scores reflected in each bar or by other clear and readily understandable graphical means, or a clear and readily understandable statement informing the consumer how his or her credit score compares to the scores of other consumers. Use of a graph or statement obtained from the person providing the credit score that meets the requirements of this paragraph is deemed to comply with this requirement;
- A statement that the consumer is encouraged to verify the accuracy of the information contained in the consumer report and has the right to dispute any inaccurate information in the report;

- A statement that federal law gives the consumer the right to obtain copies of his or her consumer reports directly from the consumer reporting agencies, including a free report from each of the nationwide consumer reporting agencies once during any 12-month period;
- Contact information for the centralized source from which consumers may obtain their free annual consumer reports; and
- A statement directing consumers to the web sites of the Board and Federal Trade Commission to obtain more information about consumer reports.

See [attachment](#) for the model language for this disclosure.

Form of Notice

The notice must be:

- Clear and conspicuous;
- Provided on or with the notice required by section 609(g) of the FCRA (Credit Score Disclosure);
- Segregated from other information provided to the consumer, except for the notice required by section 609(g) of the FCRA (Credit Score Disclosure); and
- Provided to each consumer in writing and in a form that the consumer may keep.
- Only one disclosure is required for each transaction. If a second credit score is obtained, a second disclosure is not required.

Timing of Notice

The notice must be provided to the consumer at the time the disclosure required by section 609(g) of the FCRA (Credit Score Disclosures) is provided to the consumer, but in any event at or before consummation in the case of closed-end credit or before the first transaction is made under an open-end credit plan.

Multiple Credit Scores

When a creditor obtains two or more credit scores from consumer reporting agencies and uses one of those credit scores in setting the material terms of credit granted, extended, or otherwise provided to a consumer, for example, by using the low, middle, high, or most recent score, the notice must include that credit score and the other required information. When a creditor obtains two or more credit scores from consumer reporting agencies and uses multiple credit scores in setting the material terms of credit granted, extended, or otherwise provided to a consumer, for example, by computing the average of all the credit scores obtained, the notice must include one of those credit scores and the other required information. The notice may, at the creditor's option, include more than one credit score, along with the additional information specified for each credit score disclosed.

Multiple Consumers

In a transaction involving two or more consumers who are granted, extended, or otherwise provided credit, a creditor must provide a separate notice to each consumer. Whether the consumers have the same address or not, the creditor must provide a separate notice to each consumer. Each separate notice must contain only the credit score(s) of the consumer to whom the notice is provided and not the credit score(s) of the other consumer.

Credit Scores Not Available

A creditor is not required to provide a risk-based pricing notice to a consumer if the creditor:

- Regularly obtains credit scores from a consumer reporting agency and provides credit score disclosures to consumers, but a credit score is not available from the consumer reporting agency from which the person regularly obtains credit scores for a consumer to whom the person grants, extends, or provides credit;
- Does not obtain a credit score from another consumer reporting agency in connection with granting, extending, or providing credit to the consumer; and

- Provides to the consumer a notice that contains the following:
 - A statement that a consumer report (or credit report) includes information about the consumer's credit history and the type of information included in that history;
 - A statement that a credit score is a number that takes into account information in a consumer report and that a credit score can change over time in response to changes in the consumer's credit history;
 - A statement that credit scores are important because consumers with higher credit scores generally obtain more favorable credit terms;
 - A statement that not having a credit score can affect whether the consumer can obtain credit and what the cost of that credit will be;
 - A statement that a credit score about the consumer was not available from a consumer reporting agency, which must be identified by name, generally due to insufficient information regarding the consumer's credit history;
 - A statement that the consumer is encouraged to verify the accuracy of the information contained in the consumer report and has the right to dispute any inaccurate information in the consumer report;
 - A statement that federal law gives the consumer the right to obtain copies of his or her consumer reports directly from the consumer reporting agencies, including a free consumer report from each of the nationwide consumer reporting agencies once during any 12-month period;
 - The contact information for the centralized source from which consumers may obtain their free annual consumer reports; and
 - A statement directing consumers to the web sites of the Board and Federal Trade Commission to obtain more information about consumer reports.

Statement on Subprime Mortgage Lending

On June 29, 2007, the Federal Reserve Board, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, and the National Credit Union Administration (the Agencies) issued a final interagency Statement on Subprime Mortgage Lending (the Subprime Statement) to address emerging risks associated with certain subprime mortgage products and lending practices. The Subprime Statement is available at [Statement on Subprime Lending](#). The Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators developed a similar Statement. Numerous states have adopted the Subprime Statement and more states are expected to follow.

The Agencies developed the Subprime Statement to address emerging risks associated with certain subprime mortgage products and lending practices. In particular, the Agencies are concerned with certain adjustable-rate mortgage (ARM) products typically offered to subprime borrowers that have one or more of the following characteristics:

- Low initial payments based on a fixed introductory rate that expires after a short period and then adjusts to a variable index rate plus a margin for the remaining term of the loan;
- Very high or no limits on how much the payment amount or the interest rate may increase ("payment or rate caps") on reset dates;
- Limited or no documentation of borrowers' income;
- Product features likely to result in frequent refinancing to maintain an affordable monthly payment; and/or
- Substantial prepayment penalties and/or prepayment penalties that extend beyond the initial fixed interest rate period.

The term "subprime" is described in the 2001 [Expanded Guidance for Subprime Lending Programs](#) available at <http://www.federalreserve.gov>. The Subprime Statement addresses predatory lending considerations; underwriting standards; workout arrangements; consumer protection principles, including disclosures in advertising and product descriptions; and control systems. These requirements are discussed in more detail, below. NewRez expects clients to implement policies, procedures, and controls to ensure that loans subject to the Subprime Statement delivered to NewRez for purchase are advertised and originated in compliance with the Subprime Statement and any Fannie Mae requirements related to the Subprime Statement.

Additional Representation and Warranty

NewRez will require the following additional representations and warranties regarding loans subject to the Subprime Statement. The representation and warranty applies to all clients, regardless of whether they are directly subject to the Subprime Statement at the federal or state level. The following representations and warranties will be added to the Client Guide.

Inter-agency Statement on Subprime Mortgage Lending (the Subprime Statement)

(a) General Compliance

All mortgages subject to the Inter-agency Statement on Subprime Mortgage Lending (the "Subprime Statement"), issued by the Office of the Comptroller of the Currency, Treasury; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; Office of Thrift Supervision, Treasury; and the National Credit Union Administration (the "Agencies"), must comply with the Subprime Statement or any substantially similar guidance issued by any state governmental agency.

(b) Consumer Disclosure

All mortgages subject to the Subprime Statement delivered for purchase to NewRez must include a copy of the disclosures provided to the Borrower in compliance with the Consumer Protection Principles section of the Subprime Statement. The disclosure must clearly explain the risk of payment shock, the ramification of prepayment penalties, balloon payments, the cost of obtaining a reduced documentation loan, and the consequences of not establishing an escrow account for taxes and insurance, as applicable.

Summary

The Subprime Statement covers four areas:

- Risk Management, which includes predatory lending considerations and underwriting standards;
- Workout Arrangements;
- Consumer Protection Principles; and
- Control Systems

The Agencies state that they will continue to carefully review risk management and consumer compliance processes, policies, and procedures. The Agencies will take action against institutions that exhibit predatory lending practices, violate consumer protection laws or fair lending laws, engage in unfair or deceptive acts or practices, or otherwise engage in unsafe or unsound lending practices.

Risk Management**Predatory Lending Considerations**

In accordance with the Subprime Statement, institutions should ensure that they do not engage in the types of predatory lending practices discussed in the Expanded Subprime Guidance. Typically, predatory lending involves at least one of the following elements:

- Making loans based predominantly on the foreclosure or liquidation value of a borrower's collateral rather than on the borrower's ability to repay the mortgage according to its terms;
- Inducing a borrower to repeatedly refinance a loan in order to charge high points and fees each time the loan is refinanced ("loan flipping"); or

- Engaging in fraud or deception to conceal the true nature of the mortgage loan obligation, or ancillary products, from an unsuspecting or unsophisticated borrower.

The Subprime Statement notes that offering mortgage loans such as these face an elevated risk that their conduct will violate Section 5 of the Federal Trade Commission Act (FTC Act), which prohibits unfair or deceptive actions or practices.

Underwriting Standards

The Subprime Statement indicates that institutions should refer to the Real Estate Guidelines, which provide underwriting standards for all real estate loans. The Real Estate Guidelines state that prudently underwritten real estate loans should reflect all relevant credit factors, including the capacity of the borrower to adequately service the debt.

Payment Shock

Prudent qualifying standards recognize the potential effect of payment shock in evaluation a borrower's ability to service debt. An institution's analysis of a borrower's repayment capacity should include an evaluation of the borrower's ability to repay the debt by its final maturity at the fully indexed rate, assuming a fully amortizing repayment scheduled.

The fully indexed rate equals the index rate prevailing at origination plus the margin to be added to it after the expiration of an introductory interest rate. For example, assume that a loan with an initial fixed rate of 7% will reset to the six-month London InterBank Offered Rate (LIBOR) plus a margin of 6%. If the six-month LIBOR rate equals 5.5%, lenders should qualify the borrower at 11.5% (5.5% + 6%), regardless of any interest rate caps that limit how quickly the fully indexed rate may be reached.

Debt-to-Income Ratio

An institution's DTI analysis should include, among other things, an assessment of a borrower's total monthly housing-related payments (e.g., principal, interest, taxes, and insurance, or what is commonly known as PITI) as a percentage of gross monthly income.

Risk Layering

Risk-layering features in a subprime mortgage loan may significantly increase the risks to both the institution and the borrower. Therefore, an institution should have clear policies governing the use of risk-layering features, such as reduced documentation loans or simultaneous second lien mortgages. When risk-layering features are combined with a mortgage loan, an institution should demonstrate the existence of effective mitigating factors that support the underwriting decision and the borrower's repayment capacity.

Reporting

Institutions should:

- Identify and report credit risk;
- Maintain an adequate allowance for loan losses; and
- Recognize credit losses in a timely manner.

Consumer Protection Principles

Advertisements, Oral Statements, and Promotional Materials

Communications with consumers, including advertisements, oral statements, and promotional materials, should provide clear and balanced information about the relative benefits and risks of loan products.

Mortgage product descriptions and advertisements should provide clear, detailed information about the costs, terms, features, and risks of the loan to the borrower. Institutions should not use such communications to steer consumers to these products to the exclusion of other products offered by the institution for which the consumer may qualify. The information should be provided in a timely manner to assist consumers in the product selection process, not just upon submission of an application or at consummation of the loan.

Required Consumer Disclosures

Consumers should be informed of:

- **Payment Shock.** Potential payment increases, including how the new payment will be calculated when the introductory fixed rate expires.
- **Prepayment Penalties.** The existence of any prepayment penalty, how it will be calculated, and when it may be imposed.
- **Balloon Payments.** The existence of any balloon payment.
- **Cost of Reduced Documentation Loans.** Whether there is a pricing premium attached to a reduced documentation or stated income loan program.
- **Responsibility for Taxes and Insurance.** The requirement to make payments for real estate taxes and insurance in addition to their loan payments, if not escrowed, and the fact that taxes and insurance costs can be substantial.

The information should be provided in a timely manner to assist consumers in the product selection process, not just upon submission of an application or at consummation of the loan.

Prepayment Penalties

NewRez generally does not allow prepayment penalties on residential mortgage loan transactions.

Control Systems

Institutions should develop strong control systems to monitor whether actual practices are consistent with their policies and procedures. The control systems should address:

- Compliance and consumer information concerns;
- Safety and soundness;

Control systems should encompass both institution personnel and applicable third parties, such as mortgage brokers or correspondents.

Policies and Procedures

Institutions should:

- Establish appropriate criteria for hiring and training loan personnel;
- Establish appropriate criteria for entering into and maintaining relationships with third parties and conducting initial and ongoing due diligence on third parties.
- Design compensation programs that avoid providing incentives for originations inconsistent with sound underwriting and consumer protection principles, and that do not result in the steering of consumers to these products to the exclusion of other products for which the consumer may qualify.

Monitoring

Institutions should have procedures and systems to monitor:

- Compliance with applicable laws and regulations;

- Third party agreements;
- Internal policies; and
- Complaints (to identify potential compliance problems or other negative trends).

206 Miscellaneous

Multi-State Borrower Benefit Worksheet

NewRez requires the revised Multi-State Borrower Benefit Worksheet on all owner-occupied refinance transactions submitted for NewRez underwriting where the state does not have a required form in place. NewRez recommends that delegated clients also use the worksheet and include a copy of the completed form in their loan packages submitted to NewRez for purchase. The states that currently have a specifically required form are CO, ME, MD, MA, RI, SC, and WV. Clients should ensure that they are using the state-required form in these states. Clients should seek legal counsel to ensure they are compliant with the most up to date state borrower benefit requirements and forms.

Owner-occupied refinance transactions submitted for NewRez underwriting without the appropriate borrower benefit worksheet form will be suspended and will not proceed to be underwritten until the form is received.

The NewRez Multi-State Borrower Benefit Worksheet form can also be obtained in the Forms Library.

Domestic Partnership and Civil Unions

Loans submitted to NewRez for underwriting must contain either the Addendum to Residential Mortgage Loan Application or a substantially similar form that identifies whether each applicant is in a civil union or is a registered domestic partner. If all applicants indicate on the Residential Mortgage Loan application that they are married, the addendum is not required. The addendum is required in the following states:

- California
- Colorado
- Delaware
- District of Columbia
- Illinois
- Nevada
- New Hampshire
- New Jersey
- Oregon
- Rhode Island
- Vermont
- Washington

Note: If the required information is provided on the application, the addendum is not required.

If you have joint applicants registered as domestic partners or in a registered civil union:

- These applicants should be listed on the same 1003 as you would for married couples.
- These applicants cannot be charged more credit report fees than married couples would customarily be charged. If you would typically order a joint credit report for a married couple, then you should do the same for a couple in a domestic partnership or civil union.
- These applicants must be treated the same as married couples for underwriting purposes.
- Proof of registration as a domestic partner or civil union is not required, just as marriage certificates are not required.

- The security instrument must be signed by a non-borrowing domestic partner or civil union partner to the same extent as a non-borrowing spouse would be required to sign the security instrument (and receive the Closing Disclosure and two copies of the Notice of Right to Cancel).

Chapter 3 Fraud

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

300 Overview

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

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

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

301 Types of Fraud

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

There are two basic motives for mortgage fraud:

A. Fraud for Property

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

B. Fraud for Profit

The borrower or other interested party enters into a transaction with the primary intention of creating inappropriate and significant financial gain (beyond just getting better pricing and terms for the loan), to the detriment of the lender. The borrower or other interested party does not intend that the loan be repaid as agreed, or the property has been significantly and intentionally overvalued and over encumbered or the lender's collateral interest in the subject property has been intentionally impaired or undermined. Participants may include multiple parties including the borrower, real estate agent, appraiser, loan officer, loan processor, underwriter, lender, closing attorney, or property management company.

302 Fraud Indicators or Red Flags

The presence of one or more fraud indicators, or red flags, is not absolute proof of a fraudulent loan, but when viewed as a whole, a pattern of deception may begin to emerge. NewRez Clients can use the Red Flag Checklist, found on the Correspondent Lending website.

To determine if a loan is fraudulent, NewRez strongly encourages a review of all loan types for document-specific loan fraud indicators, or red flags that can identify irregularities in the information submitted by a borrower or other parties in the transaction.

A. Affinity Fraud

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

B. Air Loans

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

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

C. Builder Bailout

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

Potential indicators of builder bailouts include the following:

- The builder is willing to “do anything” to sell the property
- Builder’s marketing material advertises rent credit to investors and/or payment credit
- The borrower is barely qualified or unqualified
- The sales price and appraised value are inflated
- No-money-down sales are included
- “Silent” or “concealed” second mortgages are involved
- Significant incentives and/or concessions are offered
- Sales price adjusted upwards
- Questionable source of funds
- Reference to unexplained payouts, inflated commissions or secondary financing on the Closing Disclosure or purchase contract
- Parties to the transaction are affiliated

D. Buy and Bail

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

Red flags common to this type of fraud are:

- The borrower will be a first time property owner (renting out the original property)
- The borrower has minimal or no equity in the original property

- Inability to validate lease terms with the purported tenant
- Purported tenant has a pre-existing relationship with the homeowner

E. Cash-Out Purchases

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

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

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

F. Condominium Conversion Bailouts

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

Red flags common to condominium conversion bailouts are:

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

G. Double Escrows

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

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

H. Equity Skimming

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

- If obtained through a purchase transaction, the investor generally executes a second trust deed to the property seller as the down payment, resulting in no cash investment in the property.

- Once the property is assumed, the investor profits by collecting rents for the time it takes the lien holder to complete the foreclosure process. Investors using this method frequently obtain several properties within a short period. The investor makes mortgage payments (while acquiring other properties using the same scheme) before finally defaulting on the mortgage payments.

I. Foreclosure Bailout

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

Indicators of a foreclosure bailout transaction are:

1. Purchase Transaction

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

2. Refinance Transaction

- Borrower cannot verify “equitable interest”
- The mortgage loan on title is not in the borrower’s name
- The property is not in the borrower’s name

J. Identity Theft

Identity fraud is the act of unlawfully using one or more pieces of another individual’s personal identifying information. When identity theft is recognized during the mortgage loan process, it is recommended that third party documentation, such as a police report, letter from the borrower, previous year and current year tax returns & W2s and a letter from the IRS be provided to substantiate the fraud claim. In most instances, this involves the use of another person’s Social Security number (SSN), or use of a fraudulent SSN. Red flags associated with identity theft are:

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

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

K. Foreclosure Rescue

A foreclosure specialist promises to assist the defaulted borrower in avoiding foreclosure. The specialist usually charges the borrower an up-front fee (HUD-approved counseling agencies do not charge) for services that are not delivered. These frauds usually further encumber the property

and/or result in the homeowners losing title. The frauds always ultimately force the borrower into foreclosure status, but sometimes delay the servicer's ability to accomplish the foreclosure, through elaborate bankruptcy filings.

Red flags common to this type of fraud are:

The borrower or current owner was:

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

L. Investment Club Schemes

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

Red flags common to this type of fraud are:

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

M. Power of Attorney

Because the use of a Power of Attorney (POA) means the principal will not actually sign the loan documents, there is a risk that the principal may not be aware of the loan transaction or that the principal is a fictitious person. If any wrongdoing is suspected, investigate the circumstances to ensure use of the POA is legitimate before proceeding with the loan. The Settlement Agent must not act as the attorney-in-fact or sign documents on behalf of any party to the transaction. For specific POA requirements, refer to [Chapter 13](#) Delivery/Funding Options.

N. Property Flips

A transaction in which a property is purchased and resold quickly for a significant profit is commonly referred to as a flip. Property flipping becomes illegal when a home is purchased and resold within a short period at an artificially inflated value. The flip typically involves a fraudulent

appraisal, which may falsely indicate that renovations were made to the home. Properties targeted for property flips generally include properties that can be acquired at lower prices than other properties in the same neighborhood and often include real estate owned (REO) properties, properties subject to a short sale, other distressed properties or newly constructed properties where the builder or developer must liquidate housing inventory quickly. A property involved in a flip may be resold on the same day or within days, weeks or months of the purchase. In some cases, the seller of the property flip never holds title to the property, but instead sells or assigns their interest in a contract to purchase the property to a third party.

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

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

Red flags common to property flipping are:

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

O. Purchase Disguised as Refinance

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

The following red flags may be present:

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

P. Rental Property

1. Income

Red Flags related to income include:

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

2. **Reverse Occupancy** – Borrower buys home as an investment property and lists rent proceeds as income in order to qualify for the mortgage, but instead of renting the home, the borrower occupies as a primary residence.

Red Flags related to reverse occupancy include:

- Purchase Transactions
 - Subject property sold as an investment
 - Purchasers are first time home buyers with minimal or no established credit
 - Purchasers have low income but significant liquid assets that are authenticated by bank statements
 - Purchasers make large down payments
 - Purchasers present "rent free" letters stating they are not paying rent to live in their primary residence
 - Purchasers and other parties to the transaction belong to a identifiable group that share certain characteristics that are often seen in cases of affinity fraud and transactions occur in the same geographical area

Q. Short Sale Fraud

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

Red flags common to this type of fraud are:

- Sudden default, no workout discussions, and immediate offer at short sale price
- Ambiguous or conflicting reasons for default
- The mortgage delinquency is inconsistent with the borrower's spending, savings and other credit patterns
- Short sale offer is from a related party
- Short sale offering price is less than current market
- Cash back at closing to the delinquent borrower, or other disbursements that have not been expressly approved by the servicer (sometimes disguised as repairs or other payouts)

R. Shot Gunning

Shot gunning occurs when a fraud perpetrator simultaneously secures loans from multiple lenders, but does not disclose any of the other applications in process to the individual lender. Shot gunning can accompany several of the schemes covered in this section, such as property flipping and investment club schemes. In those cases, the perpetrator would not qualify for multiple purchase money mortgages and applies with various lenders but does not reveal the other applications to any given lender. Each lender simultaneously funds what it believes to be the only

new mortgage loan. Until the loan closes, the only clues of this activity are credit bureau reported mortgage inquiries, which can be explained by the borrower as price and term comparison-shopping.

S. Straw Borrower

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

Participants in a straw borrower situation:

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

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

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

303 Risk Mitigation

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

A. Loan Application

Review the loan application for the following red flags:

- Inconsistent Social Security numbers from document to document
- Invalid or recently issued Social Security number
- Unsigned, undated, outdated and/or incomplete application
- Compare borrower's names and address with property seller's names and address (could be a straw buyer)
- Inadequate documentation to support required owner occupancy
- Borrower's signature is inconsistent throughout the loan file
- Borrower is buying investment property, but does not own current residence
- Borrower is buying investment property as an out-of-state investor
- Number of years on the job/in that profession is inconsistent with borrower's age, years of education, borrower profile or type of employment
- Employer's telephone number is a cell phone
- Employer's address is a PO Box
- Employer/company name is similar to the borrower name

- Significant increase or unrealistic change commuting distance
- New housing not large enough to accommodate all occupants
- Buyer is downgrading from larger to smaller home
- Buyer currently resides in property and is purchasing it from the landlord
- Buyer intends to rent/sell current residence with no documentation
- Down payment is other than cash
- Borrower/co-borrower working for same employer, or is an employee of the property seller
- Same telephone number for home and business (may be self-employed)
- High income borrower has little or no personal property or minimal liquid assets
- New housing expense exceeds 150 percent of current housing expense
- Assets are not consistent with borrower's income
- Inappropriate salary with respect to loan amount
- Significant or contradictory changes from handwritten to typed loan application
- Application retaken for a borrower where misrepresentations were identified, such as under-reported income to the IRS, fraudulent W-2, etc.

B. Occupancy

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

Review the loan file for the following red flags:

1. Purchase Mortgage

- A previous mortgage transaction within the past 12 months was also the purchase of a principal residence
- Hazard insurance policy indicates investment property when application states owner-occupied
- The mailing address on the insurance policy is different from the subject property, when the subject is represented as a primary residence
- Value of current residence exceeds subject property value when subject property is to be owner occupied and current residence is to be investment property
- Commute distance from work and subject owner occupied property is excessive (acceptable explanation may be a virtual office)
- Application is for a second home in area not typical for second home properties and/or not reasonable distance from current owner-occupied property
- The borrower profile does not make sense for occupancy in subject property (i.e., elderly borrower moving from current residence of many years to a much larger home)
- There are duplicate applications with conflicting occupancy information
- Borrower owns numerous properties or has multiple mortgages shown on credit report and purchase of new primary residence appears unreasonable
- Request is for a second home, yet borrower already has a second home
- Purchases of a second home in the same location as the principal or current second home residence or investment property owned
- New housing square footage/bedroom count is insufficient to accommodate
- Primary residence purchase with a non-occupant co-borrower receiving an automated underwriting decision when income from non-occupant co-borrower is not included in the analysis and loan is restructured as an investment property with the primary borrower occupying one of the units
- Sales contract is subject to an existing lease or has language that buyer does not intent to occupy the subject

2. Refinance Mortgage

- Different address for pay stubs, bank statements, or other financial documents when the loan is a refinance of an owner occupied property

- Application is a refinance of the primary residence but the home telephone number does not match the subject address
- Appraisal occupancy is different from the loan application (Appraisal indicates property is tenant occupied, but is stated as primary on the application)
- Title commitment does not show homestead exemption on an owner occupied refinance
- Significant or unrealistic commute distance
- Occupancy affidavits reflect applicant does not intend to occupy
- Homeowner's insurance is a rental policy (declarations page)
- Tax returns show borrower has a history of claiming rental income from the subject property
- Zillow or 3rd party sites show subject is currently listed for rent or has a recent history of being listed for rent

C. Social Security Numbers

For loans that receive Social Security number verification messages from AUS, validate the accuracy of the Social Security number by providing a copy of the verification provided from the Social Security Administration using Form SSA-89. Verification can also be obtained using the Form SSA-89 through third party vendors (e.g. Fraud Guard, Equifax Verification Services or LandSafe) to satisfy this verification requirement. A copy of the Social Security validation must be included in the loan file for purchase.

Social Security Number (SSN) Rules

Effective June 25, 2011, Social Security Administration (SSA) went to a randomized methodology to protect the integrity of SSNs. SSA eliminated the geographical significance of the first three digits of the SSN, referred to as the area number, by no longer allocating the area numbers for assignment to individuals in specific states. SSA also extended the available pool of nine-digit numbers in every state. The following list identifies exclusions of invalid SSNs:

SSN Exclusions			
Area Numbers (first 3 digits)	000	666	900 - 999 (<i>see ITINS</i>)
Group Numbers (4th / 5th digits)	00		
Serial Numbers (last 4 digits)	0000		

Individual Taxpayer Identification Number (ITIN) Rules

The IRS assigns ITINs to individuals who are required to have a U.S. taxpayer identification number, but who do not have and are not eligible to obtain an SSN. An ITIN is a nine-digit number that always begins with the number nine (9). **Borrowers are required to have a valid SSN and ITIN numbers are not eligible for financing.**

D. Borrower Contact

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

E. Credit Report

Review the credit report for the following red flags:

- Credit report “warning” messages must be carefully reviewed
- Credit report lists an Also Known As (AKA) or Doing Business As (DBA) or name variances
- Credit report is run with a U.S. address for a borrower who lives outside of the U.S.
- Nicknames that are unrelated to the borrower’s name
- Age of accounts is inconsistent with the borrower’s age
- Address history on in-house credit is inconsistent
- Trade lines were opened at the same time or opened recently
- Recently added as authorized user on several trade lines or numerous authorized user accounts
- Pattern of delinquencies that are inconsistent with credit explanations
- Undisclosed bankruptcies, foreclosures or debts
- Greater number of authorized user trade lines than traditional trade lines
- Contains authorized user accounts with trade line information inconsistent with the borrowers other accounts
- Recently originated loan has been refinanced
- All accounts have been recently paid in full
- Disputed accounts appear on the credit report (possible credit doctoring)
- Open credit obligation listed on the application but does not appear on the credit report
- Employment information and history varies from loan application and/or VOE
- High income borrower or borrower is over 25 years old lacks established credit or has inappropriate accounts
- Other sources show a variance in employment or residence data
- Social Security number is invalid, issued before the borrower was born, issued to a minor, is attributed to a deceased individual or the numbers vary, or the SSN differs from the SSN on the loan application
- Borrower has multiple Social Security numbers
- Multiple inquiries in a short time frame
- Recent (within two weeks) non-bank inquiries

F. Verifications of Rent

Review verifications of rent for the following red flags:

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

G. Assets

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

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

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

H. Verification of Employment (VOE)

Review the Verification of Employment for the following red flags:

- Verification form is forwarded to a Post Office Box (may be acceptable with independent verification)
- Income is out of line with the borrower's occupation
- Property seller's address is the same as the employer's
- Year-to-date and/or past years income says See "W-2's and Pay stubs"
- VOE is prepared/signed by originator on the same date as completed/signed by employer
- VOE is prepared by someone other than a representative of a payroll or human resources department or has a generic job title such as secretary, manager or general manager
- Person verifying employment appears to be a relative of the borrower (i.e. same last name)
- Illegible phone number or name of person signing the document
- Signature on the VOE reflects the same name as the borrower or other party affiliated with the transaction
- Salary is displayed in round dollar amounts
- VOE shows a company car allowance, yet applications shows an auto loan
- Employer uses mail drop or P.O. Box or personal residence for business address
- Borrower's profession changed from previous to current employer
- Dates of employment on the VOE do not match dates on the application
- Inappropriate verification sources (such as, secretary or relative) were used
- Amount of overtime equals or exceeds base pay
- Handwriting or type is inconsistent throughout the VOE
- Evidence of ink eradicator ("white out") or other alterations appears on VOE
- Name of employer is similar to name of borrower
- No employer address on VOE
- No indication the VOE was mailed or faxed to the employer
- Faxed VOE has unknown fax number (number other than employer) or fax tracks show an individual or another company name
- Business phone number is determined to be a cell phone and not appropriate for size of the company
- Type or handwriting is not identical throughout

I. Paystub

Review pay stubs for the following red flags:

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

J. W-2

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

- Invalid Employer Identification Number (format should be xx-xxxxxx)
- Employer Identification number same as borrower's Social Security number
- Different type size or font within the form
- Handwritten
- Faxed document
- Inconsistencies in name spelling, address, employer's address, social security number, etc.
- Reported income does not match income reported on loan application or on the VOE
- Evidence of ink eradicator ("white out") or other alterations
- Incorrect withholding amounts (FICA and Medicare wages/taxes and local taxes exceed ceilings/set percentages)
- Taxes paid are lower compared to income stated on W-2
- Round dollar amounts
- No address or it is an incorrect address for the employee or employer
- Incorrect form provided. The borrower should provide "Copy C," unless the closing is prior to April 15

K. Tax Returns

Review tax returns for the following red flags:

- Handwritten by a paid preparer (call the preparer and verify the figures on the return)
- Paid preparer did not sign the income tax return or disclose their tax ID
- Different paid preparer used each year

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

L. Phantom Employment, Credit, Income

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

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

M. Cancelled Checks

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

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

N. Appraisal

Review the appraisal for the following red flags:

- Ordered by a party to the transaction other than the loan originator (such as a realtor, property seller, borrower)
- Property seller's name does not match the name on the title preliminary report or purchase agreement
- Borrower is not listed as the owner (non-borrowing owner)
- Ordered before sales contract written
- Photos do not match property description
- Photos of property taken from odd angles
- Photos show a For Sale sign in the yard for a refinance or a For Rent sign in the yard for a purchase
- Subject property has significant deferred maintenance
- Comparable sales not verified as recorded (data source MLS, sales office)
- Comparable sales have prior sales within the last 12 months with substantially different value
- All comparable sales are within the same neighborhood/subdivision and/or the same builder on new construction
- Comparables are older than six months in a market that has a faster marketing time
- All comparable sales are sourced from private sale transaction versus property sold through Multiple Listing Service (MLS), Clerks office, etc.
- Comparable sales are more than one mile away from subject property in an area where there are sufficient comparable sales closer to the subject property
- All comparable sales are adjusted in the same direction
- Overall adjustments are in excess of 25 percent without reasonable explanation
- Appraiser is on the exclusionary list is not acceptable
- Appraiser name is the same as or similar to other parties engaged in the transaction
- Appraiser comments that the property has been listed for sale within the last 90 days
- Appraiser used incorrect, outdated or obsolete form
- Income approach not used on tenant occupied properties
- Tenant is shown as the occupant on an owner-occupied loan
- Occupant is shown as tenant or unknown on a primary or secondary home property
- Property ownership has been transferred within the last 120 days
- The property has been sold one or more times in the last 12 months
- The property's history shows recent sales within the year for a lower price
- Out-of-area or non-local appraiser

O. Sales Contract

Review the sales contract for the following red flags:

- The borrower is not shown as the purchaser of the subject property
- Names are deleted from or added to the contract
- The property seller is a party related to the transaction such as the realtor, employer, appraiser or relative
- Earnest money deposit consists of the entire down payment or is a large amount not customary with the size of the purchase
- Earnest money deposit is placed directly with the property seller and represents the entire down payment for the loan
- There is no earnest money deposit in the sales contract
- The earnest money deposit on the sales contract does not match the earnest money deposit on the loan application
- Earnest money deposit with a realtor who does not sign the contract and acknowledges receipt of funds
- Earnest money is deposited with unknown third party outside of the transaction
- Earnest money check is dated prior to the sales contract or much later than the sales contract date
- Sales price is substantially below or significantly higher than what is typical for the market
- There is no realtor involved
- Name and address on the earnest money deposit check do not match the borrower/buyer
- Purchase contract indicates it has been assigned or is contingent upon another party (i.e. property seller) purchasing the subject property first, such as the property seller
- Property seller or buyer is a corporation
- Property seller's name on the sales contract is not the owner's name on the appraisal
- Property seller's name on the sales contract is not the owner of the property per the title commitment
- The buyer's name on the sales contract is not the proposed insured per the title commitment
- Property seller's name listed on the contract is not consistent throughout or is not the same as the signature
- Sales contract references an addendum but the addendum was not provided
- Sales contract is dated after the date of the appraisal or after the date of the loan application
- Sales contract has no date
- Property seller concessions/contributions appear excessive and/or property seller is paying all of buyer's closing costs
- Property seller concessions/contributions do not match the details of transaction on the application
- Comments in appraisal indicate sales price is unreasonable for subject property
- Comments in appraisal indicate that sale of property is not an arm's length transaction

P. Closing Disclosure

Review the Closing Disclosure for the following red flags:

- Mortgage being paid off is not listed on application or credit report
- Mortgage being paid off is not the mortgage of the borrower or the property seller
- Mortgages identified on the title commitment are not paid off
- Property seller's name on Closing Disclosure is not consistent with property seller on sales contract, title commitment or appraisal
- Property seller changes on day of escrow or in closing process
- No money due from buyer
- Cash proceeds back to buyer on a purchase transaction
- Property seller pays no money at closing due to substantial earnest money deposit previously placed with property seller from the buyer with no earnest money deposit placed in escrow with the title agency
- Excessive sales concessions
- Discrepancies between the Closing Disclosure and the escrow instructions such as different property seller name or variations in fees and/or payoffs
- No real estate commission paid, yet realtor is identified on sales contract
- Real estate commission paid when no realtor involved per sales contract

- Difference in sales price listed on sales contract and Closing Disclosure
- Funds being disbursed to parties that were not identified as parties to the transaction
- Funds being disbursed to unidentified parties with name of party receiving funds not identified on Closing Disclosure
- Closing Disclosure indicates funds are being disbursed to a simultaneous escrow for the same property
- Earnest money deposit is excessive and is placed with property seller not passing through the escrow account with the closing agent
- Earnest money deposit with property seller represents entire borrower contribution to the transaction
- Earnest money deposit does not match the earnest money deposit on the sales contract and/or the application
- Title agency or closing attorney submits multiple Closing Disclosures for approval and review with information on payoffs, property seller, monies due from buyer changing in various Closing Disclosures
- Property seller contributions or property seller concessions are on Closing Disclosure that are not in sales contract or on the application
- Property seller is a corporation
- Borrower has owned the property for a short period of time and is requesting cash-out of the transaction

Q. Preliminary Title Report

Review the Preliminary Title Report for the following red flags:

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

R. Escrow/Closing Instructions

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

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

304 Pre-Funding Due Diligence

Pre-funding due diligence can be conducted at any point in the mortgage process prior to the disbursement of funds. Because it can greatly reduce exposure to fraud losses, pre-funding due diligence should be integrated into normal operating procedures. Ideally, this allows the identification of misrepresentations prior to the mortgage closing, thus mitigating the risk of loss, defaults and repurchases.

Pre-funding due diligence can be completed by the relationship manager, underwriter, credit risk department, or a pre-funding quality control department. Methods and levels of due diligence vary based on the perceived risk.

The most critical component in avoiding fraud is to know your customers, employees and business partners. Doing business with unscrupulous individuals or managers with questionable character will undoubtedly result in higher fraud losses.

A. Know Your Customer

Section 326 of the USA Patriot Act requires that financial institutions “know their customer” and take appropriate steps to verify the identity of account holders in order to make loans to and accept transactions from their customers.

Recommendations to enhance “Know Your Customer” processes are:

- Confirm the legal existence of a self-employed mortgage applicant by verifying registration with the applicable state Department of Corporations, licensing, bonding, or insurance agency. Searches can also be conducted through the Better Business Bureau and LexisNexis, which can also provide complaint information that may be helpful in determining whether an applicant is self-employed, but has not disclosed that fact.
- Use investigative search engines, such as LexisNexis and Accurint, which can provide additional information available through public records (foreclosures, bankruptcies, judgments, tax liens, etc.).
- Conduct more extensive background checks for large or risky transactions using an external investigative company (or internal resources if you have them and they provide results equal to, or greater than, those available through a vendor).
- Subscribe to and review credit repository alerts, which can identify non-residential addresses, such as post office boxes, and incorrect, deceased or newly issued Social Security numbers.

B. Know Your Documents

A secondary component of a pre-funding review is to know your documents. Making a sound underwriting decision means relying on the integrity of the documents provided. Therefore, close inspection of the documents for errors, omissions and misrepresentations, as well as an independent verification of the information contained in the documents, is essential. Section 303 Risk Mitigation details the review process for underwriting documentation. Below are additional ways to mitigate risk:

- Review databases such as the Mortgage Electronic Registration Service (MERS), prior to closing to detect undisclosed mortgages on the subject property or other properties.
- Use reverse phone directories to confirm that addresses and phone numbers match the information on the loan application.
- Online county records (netronline.com) and preliminary title reports should be reviewed for delinquent property taxes and IRS tax liens, as well as evidence that a party to the transaction has a current or a former interest in the property, or other related entities that had a former interest in the property; for example, the realtor, employer, or closing agent. This information can be obtained from online country records, preliminary title reports, etc.
- Review all title work not prepared by the financial institution for discrepancies such as the subject property address, current vested title holder, proposed insured and loan amount, as well as recent transfers of title.
- Prior to disbursing funds, perform a review of the Closing Disclosure to identify uncommon contributions and/or unusual payouts. Review both the borrower’s and seller’s side of the settlement statement.

Chapter 4 Registration & Commitments

Chapters 4A through 4B describe the proper procedure for Registration and Commitment of Loans, with a primary focus on process. These sections do not define or alter the actual Loan Program purchase criteria and eligibility standards, which are contained in other chapters.

400 Description of Underlying Chapters

[Chapter 4A, Flow Registration & Rate Lock Commitments: Process for Client to register and lock a Loan](#)

[Chapter 4B, Bulk Commitments: Process for Client to enter into a Bulk Commitment to deliver a Loan](#)

Chapter 4A Flow Registration & Rate Lock Commitments

The NewRez Registration and Negotiated Transactions (NT) Desks work with Clients to ensure timely and accurate registration and locking of Individual Loan Commitments. Prior to submitting and selling loans to NewRez, Client must obtain a Rate Lock Commitment. A variety of pricing options are available to meet the needs of our Clients. This chapter references individual flow business specifically.

A separate overview of NewRez's pricing and lock-in policies for Bulk (Live/Negotiated Bulks, etc.) Commitments can be found in Chapter [4B Bulk Commitments](#).

A400 Commitment Defined

A Rate Lock Commitment is an agreement whereby Client commits to deliver a loan, as described in the Commitment Confirmation that is eligible for purchase under the terms of this Client Guide. Client must enter into a Rate Lock Commitment for each loan prior to delivering it to NewRez.

Depending on approval authorization, Client may enter into a flow Commitment under either a Best Efforts or a Mandatory Delivery Commitment:

A. Best Efforts Delivery Commitment

A Best Efforts Delivery Commitment is a rate lock for a specific Borrower with a specific property. Once the loan closes, Client is required to deliver the loan and it becomes a Mandatory Delivery Commitment. If the loan does not close, Client is typically not assessed a Pair-off Fee.

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

- Best efforts will be made to close the loan as described in the Commitment
- If closed the Client will deliver the full credit and closing file in purchasable condition by the Delivery Expiration Date
- Although there is no penalty charged on an individual loan if it does not close, NewRez closely monitors pull-through ratios. Unacceptably low pull-through levels may impair Client's ability to sell loans to NewRez or maintain normal business relationships.

B. Mandatory Delivery Commitment

A Mandatory Delivery Commitment is a rate lock Commitment that requires loan(s) be delivered by the Delivery Expiration Date in purchasable condition. If Mandatory Commitment is canceled, not delivered or purchased on time, or is deemed to be ineligible for any reason, Client will be subject to Mandatory Pair-off Fees based on NewRez market loss as outlined in Section A417 Calculation of Pair-off Fees. Pair-off Fees are due upon receipt.

NewRez offers the following Mandatory Delivery Commitment options:

- Individual Flow - one loan per Commitment
- Bulk - See [Chapter 4B](#)

Under a Mandatory Delivery Commitment, Client commits to the following:

- Deliver a loan that conforms to the terms described in the Commitment prior to the end of the Commitment Period
- Deliver a loan that is eligible for purchase

- NewRez will charge a Pair-off Fee to Client if the committed amount is not delivered by the specified date and/or the loan remains in suspense for over 30 days, or is canceled

Prior to entering into a Mandatory Delivery Commitment, Client must be:

- Approved and set up for this delivery option with NewRez
- Closing in their own name and utilizing an approved/acceptable funding source.

In addition, with a Mandatory Delivery Commitment:

- The interest rate can only vary plus or minus 0.25% from the initial locked interest rate
- Loan Amount Changes outside of the Commitment Tolerance will be subject to Pair-off Fee
- Substitutions on Individual Mandatory Commitments are not permitted
- Loan is ineligible to be re-locked as a Best Efforts Delivery Commitment
- At NewRez's discretion, a loan that was previously committed under a Best Effort Delivery Commitment may be re-locked into a Mandatory Delivery Commitment provided that the loan is no longer subject to worse case relock policies. Once a loan is re-locked as a Mandatory Delivery Commitment, further extensions or changes in loan parameters are not permitted.

C. Additional Rules Applicable to All Commitments

- Each lien position of a property may have no more than one Commitment outstanding at any one time with NewRez.
- In the event that a duplicate lock is created, the loan will become subject to worse case pricing.
- Client may not assign or transfer a Commitment, in whole or in part, without the prior express written consent of NewRez.

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

A401 Requesting a Commitment and Contacting the Registration and NT Desks

Client may register and/or create a Rate Lock Commitment with NewRez through one of the following three methods:

A. Internet

- Visit us at corr.newrezcorrespondent.com

B. Telephone

- Call the Registration Desk directly at 866.396.4622 or 877.700.4622 option 3, then option 2.
- The desk is staffed from 8:30 AM to 7:00 PM ET.

A402 Register/Float

Individual loans can be registered in to one of two statuses:

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

A Client may register a loan into float status in order to obtain a loan number prior to submission for underwriting with NewRez or an Approved Contract Underwriter. If requested, pricing will be quoted from the current day's Rate Sheet for the loan attributes and delivery timeframe requested.

A403 Key Registration Data Fields

The following data fields are required to register a loan:

- Client's company name and assigned ID number
- Web User Name
- Client loan Number, if applicable
- Primary Borrower first and last name
- Primary Borrower Social Security Number
- Primary Borrower Credit Score
- All Co-Borrowers' first and last names
- All Co-Borrowers' Social Security Numbers
- All Co-Borrowers' Credit Scores¹
- Primary wage earner
- Loan Program code number and product name
- Property address, city, state and zip code²
- Property type
- Loan Amount
- Base loan Amount, if applicable
- Note Rate (optional for floating loans)
- Term/Amortized Term - (in months)
- Buydown type, if applicable
- Occupancy
- Loan Purpose
- Documentation Type
- Escrows
- Sales price, Appraised Value, or LTV
- Ratio (DTI)
- Units
- Condominium Type, if applicable
- CLTV – required if there is another lien
- Other Lien Balance (required for CLTV)
- Prepayment Penalty Term (if applicable)
- Locking the loan—Indicate lock window and delivery option
- Any other loan Program specific field, as required

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

²Property Address Clarification - On a purchase transaction, Client may request a credit pre-qualification for the Borrower prior to a property being located. In this instance, when registering loan via web, on the Property Tab answer the question Is this a TBD Property for Pre-Approval as "Yes". This will automatically pre-populate the street address as "TBD". A loan with a "TBD" property address cannot be locked, and is only eligible for registration as a float for underwriting purposes. A full and complete property address is required at the time of a rate lock request. Any lock requests with incomplete or incorrect addresses will be classified as invalid and subject to worse case pricing.

A404 Incomplete Registration (Pending Status) & Website Issues

A. Incomplete Registration Requests

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

- Missing/incomplete/incorrect Social Security numbers
- Missing/incomplete/incorrect property address
- Missing/incomplete/incorrect Borrower's and/or Co-Borrower's names
- No credit score is provided, and product requires it
- No DTI is provided, and product requires it
- Loan does not fit product guidelines
- Product code not provided
- Rate is not selected
- Rate lock window and Delivery Type is not selected
- Requested rate is not available
- Client is not licensed in the state where property is located (see the Licensing section in this chapter for more information)
- Other reasons not listed here

In these cases, the loan will be placed into Pending Status. Placing a loan in Pending Status will save some of the loan information. However, the loan cannot be locked until all open issues have been resolved. NewRez will fax information to Client if contact information was provided outlining the deficiency that requires correction. It is Client's responsibility to contact the Registration Desk to rectify any outstanding issues.

Once the correction is received and reviewed by NewRez, the Client may submit an updated lock request based on the prevailing/current loan rates at the time the lock request is re-submitted. NewRez activates a rate lock only when Client provides complete loan data that meets NewRez's program guidelines. It is Client's responsibility to contact the Registration Desk to rectify any problems and to request to lock the loan.

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

B. Website Issues

In cases where Client is attempting to register, lock, extend, or revise a loan via the website, and they encounter problems or need assistance, Client should contact Registration Desk directly.

During hours when the desk is staffed and able to take phone calls, Client can call into the desk for immediate assistance. If issues arise when desk staff is not available, Client should utilize the [Registration Sheet](#) or the [Registration Lock Change Request Form](#) in order to fax requests directly to the desk.

NewRez will not assume responsibility for any requests not properly submitted to the Registration Desk.

A405 Licensing

NewRez will not accept loans in states where Client is not properly licensed to conduct business. In the event that NewRez does not have a Client's current license or exemption on record, loan registrations or locks cannot be accepted. If any Client license issues are under review when a registration/lock request is submitted, the Client's loan will be placed in a pending status. To remove the loans from pending status the Client must take the following steps:

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

A406 Policy/Loan Program Exceptions

Exceptions will be considered for registered loans on a case-by-case basis. Client must register the loan to obtain a loan number in order for NewRez to consider the request. When the loan is outside current guidelines, Client can only register the loan into a pending status by contacting the Registration Desk via phone or fax. NewRez will review exception requests while loan is in pending status, but will not lock any loan under consideration until the exception is approved and Client submits current request to lock.

Clients can initiate the exception review process once they have obtained a loan number by uploading a [Loan Exception Request](#) (located in the Forms Library) via Image Central.

NewRez will communicate the decision to Client. If the exception is approved, Client may fax the approved exception along with a completed loan Registration Sheet to the Registration Desk to request a lock. The Registration Desk will then confirm the loan registration with the Client.

In general, policy and loan program exceptions will be subject to an additional price adjustment. NewRez, at its discretion, may charge a cancellation or Pair-off Fee if the decline of an exception request results in cancellation of a locked Commitment.

A407 Escrow Waivers/Non-Escrowed Loans

When the Client elects to waive escrows for property tax and/or hazard insurance, wind, earthquake, flood, and HO-6 on a loan, certain restrictions and price adjustments will apply. To be eligible to waive the property tax and/or homeowner's insurance escrow, the loan must meet program eligibility guidelines and qualifications (see our Product Profiles for more complete information). Check the current Rate Sheet for state specific zone information and adjustments that may apply. Property tax exemptions will be subject to all applicable price adjustments for non-escrowed loans.

Effective for loans closed on or after January 1, 2016, NewRez will require that flood insurance premiums be escrowed, in compliance with the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters).

Escrows for flood insurance will not be required for loans secured by property that is part of a condominium, cooperative, or other project development, if the property is covered by flood insurance provided by and paid for, as a common expense, by the condominium association, cooperative, homeowners association, or other applicable group.

Clients should provide evidence that any flood insurance premiums associated with mortgage transactions are escrowed prior to purchase, regardless of whether any other funds associated with the loan are escrowed (i.e., taxes, homeowners insurance premiums, or any other fees or charges).

Loans with a closing date on or after January 1, 2016 where flood insurance is required and no flood escrow has been established will not be eligible for purchase.

A408 Daily Pricing and Overnight Rate Protection

A. Daily Prices & Rate Sheets

Daily prices are established at approximately 10:00 AM ET and are available at corr.newrezcorrespondent.com. Clients can be added to Rate Sheet email distribution by contacting NewRez Client Manager at 877.700.4622.

NewRez will have periods when no pricing is available. These “blackout periods” generally occur from 8:25 AM through 10:00 AM ET. There may also be periods during the day when market conditions will necessitate a general Rate Sheet price update. During these periods Clients will be unable to obtain rate locks over the phone or Internet. Any faxes received during these blackout periods will be priced under the next available Rate Sheet.

NewRez reserves the right to suspend pricing for any or all products at any time.

B. Overnight Rate Protection

NewRez may provide, at its discretion, Overnight Rate Protection (ORP) for its Clients. ORP enables Client to lock loans after the close of normal business hours. ORP is based upon the time zone in which Client's main office (as identified by NewRez) is located, and begins at 5:00 PM local time to 8:25 AM ET, on the following Business Day.

If a Client locks a loan on the website after 5:00 PM local time, the system locks the dollar amount up to the ORP limit. If Client exceeds the limit, the system will notify the Client of the amount by which they exceeded the limit.

NewRez reserves the right to suspend or restrict ORP coverage for any or all products at any time.

A409 Intra-Day Pricing Changes

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

A. Internet

When NewRez is re-pricing or preparing new Rate Sheets, website transactions will be disabled.

B. Phone

Clients that are in the NewRez phone queue at the time of a re-price will typically be able to complete their registration, lock, or change requests as of the pricing in effect at the time they entered the phone queue. Clients contacting the desk once re-pricing is in

process will receive a message that we are currently going through a rate change and will be asked to call back after the new pricing is loaded.

A410 Commitment Confirmation/Loan Confirmation

A Commitment Confirmation or Loan Confirmation is NewRez's written communication to the Client confirming that the Client's Commitment request is accepted and outlining the additional terms and conditions applicable to NewRez's potential purchase of the loan.

If Client delivers an eligible loan within the Commitment Period, and the loan conforms to NewRez's Guidelines, the loan will be reviewed for potential purchase under the pricing and terms described in this Commitment Confirmation section.

After Client has communicated a request to enter into a Commitment, the request is non-revocable by Client. Once accepted or rejected, NewRez will communicate its response and, if applicable, the terms of the Commitment including the price and the Commitment Period. NewRez is not deemed to have accepted a request to enter into a Commitment until NewRez has sent its written Commitment Confirmation to Client.

Although NewRez will use commercially reasonable means to receive requests and send its responses for Commitments, NewRez is not responsible for any failures of Client to deliver or receive any such communications, and Client acknowledges that NewRez will act in reliance of a Commitment that it has accepted even if Client does not receive the Commitment Confirmation. Clients that wish to mitigate the risk of market shifting should use time-sensitive means of communication (such as corr.newrezcorrespondent.com, the Registration or NT Desk) rather than means without immediate feedback (such as fax).

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

Each Commitment Confirmation will provide NewRez's applicable Commitment number and/or NewRez loan number, which Client must include in all future correspondence regarding such Commitment.

Further, Client acknowledges that prices in a Commitment Confirmation will be those applicable at the time NewRez acknowledges they received a completed/acceptable request for a Commitment, and that NewRez is not responsible for market changes or other re-pricing events that may have occurred between the time of Client's request and NewRez's receipt. NewRez reserves the right to determine the standard used to ascertain the time such request is considered to be received.

The pricing provided on the Commitment Confirmation is subject to change. Changes, including but not limited to changes in loan characteristics, program eligibility, commitment terms and late fees will affect the final loan price. NewRez and its Affiliates reserve the right to modify and/or revise its Commitment Confirmation should any of the information submitted in the final loan package differ from the information provided during the Pricing Functions service or if the loan does not meet NewRez's or its Affiliates' guidelines. A Commitment Confirmation does not constitute a loan decision/approval or a commitment to purchase a loan.

A411 Locked Loan Changes

The Registration or Negotiated Transactions (NT) Desk will determine if a request to change loan information requires that a loan be re-priced or cancel and re-registered. The Registration/NT Desk may require additional information to facilitate the change. NewRez routinely runs audit checks against the changed fields to guard against fraud and to comply with certain regulatory requirements.

Any incorrect Borrower information, such as Borrower name or Social Security number, will require additional documentation and may result in worse case re-pricing.

Regardless of loan status, the following fields cannot be changed:

- Client ID
- Borrower's and Co-Borrower's names
- Borrower's and Co-Borrower's Social Security Numbers
- Property address¹
- Property state
- Property zip code

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

- Delivery Method
- Lock Window

Any changes on a locked loan including, but not limited to, the fields noted below may result in re-pricing the loan:

- Loan Amount
- Loan Purpose
- LTV
- CLTV
- Occupancy
- Credit Scores
- Sales Price
- Appraised Value
- Other liens or Secondary Financing
- DTI
- Interest Rate
- Term
- Program Code
- Documentation Type
- Property Type
- Escrows
- Buydown

In addition to loan level data triggering a reprice, the following list includes examples of other changes that would be subject to re-pricing.

- Rate lock expired prior to loan closing and disbursing
- Delivery date expired prior to delivery of complete package
- loan in suspense beyond allowable grace period
- Commitment cancelled/denied and new commitment requested
- Address changes
- Most product changes²

¹Changes to property address: The only time the property address may change is on a purchase transaction in which the initial agreement of sale is cancelled and a new property is located. Under that scenario, the original loan will be cancelled and a new loan

with the updated information will be registered subject to current market pricing conditions. In order to process this request, the Registration Desk may request additional documentation.

Other circumstances necessitating a change to the property address will result in worse case pricing and may require a new loan number and/or additional documentation for review.

²Product Changes: All product changes completed without re-price are at the total discretion of the NewRez and may be approved or denied based upon existing market conditions. In general, the following change requests will always trigger a loan to be repriced subject to worse case pricing policies:

- Any product switches from Conforming (FNMA and FHLMC) product to Non-Conforming (Jumbo) product and vice versa.
- Any product switches from Non-Conforming (Jumbo) product to Government (FHA, VA, or USDA) or Conforming (FNMA and FHLMC) product and vice versa.
- Any product switches between Non-Conforming (Jumbo) products to other Non-Conforming (Jumbo) products will be subject to worse case pricing. This includes, but is not limited to, changes to amortization term (i.e. 15 to 30 year), amortization type (i.e. fixed to ARM) or length of the ARM fixed period (i.e. 5/1 to 7/1 ARM).

When worse case repricing is applied due to product change, worse case will be determined by comparing the base price of the newly requested product/rate as listed on the Rate Sheet from the original lock date with the base price of the new product /rate as listed on the current Rate Sheet. Some product changes may also require a new loan number be assigned.

A412 Out of Tolerance

Unless otherwise specified, when fulfilling a Commitment, NewRez allows a tolerance of plus or minus 20% on Individual Best Efforts Delivery Commitment, and a tolerance of plus or minus 2% on Individual Mandatory Commitment. Loan amount changes outside of these tolerances are subject to Out of Tolerance (OOT) pricing adjustments. These pricing adjustments help to compensate for the negative effects of market movement on the marginal dollar amount change of the loan.

The OOT amount is subject to re-pricing and fees per the grid below:

Loan Amount	If Market Price	Best Effort Delivery Commitments	Mandatory Delivery Commitments ¹
Increases	Increases	No OOT fee	OOT fee = -0.125
Decreases	Decreases	No OOT fee	OOT fee = -0.125
Increases	Decreases	OOT fee applies	OOT fee minimum amount = -0.125
Decreases	Increases	OOT fee applies	OOT fee minimum amount = -0.125

The OOT fee is calculated by the Registration or NT Desk or on the website for Best Effort Commitments. The OOT Fee is applied to the loan pricing, and once the loan has been recalculated for OOT, the new recalculated loan balance is the new starting point for any future loan amount changes.

¹ For Mandatory Delivery Commitments, the OOT fee is subject to a Pair-off Fee which will be a minimum of -0.125% adjustment. See the Commitment Defined section in this chapter for more information.

Example:

If the initial locked loan amount is \$250,000 and the commitment is Best Efforts Delivery Commitment, the loan amount tolerance limit is \$200,000 to \$300,000. A change in loan amount to \$180,000 calculates to an out of tolerance amount of \$20,000 (\$200k – \$180k). This \$20,000 variance in delivery amount would be subject to the OOT calculation. If the original price of the loan was 100.00 and the current market price for the same delivery is 101.00, then an OOT fee or pricing adjustment would apply based on the grid above (loan amount down and market price up). The fee is calculated on the \$20k OOT balance at a 100 basis point loss (price move from 100.00 to 101.00) and would equal (\$200.00). A (\$200.00) change in value on an \$180,000 loan would equate to a price adjustment of -11.1 basis points. Therefore, 11.1 basis points would be deducted from the final loan price.

A413 Rate Lock Extensions

Client may request Rate Lock Extensions via website, or telephone.

NewRez may grant Individual Best Efforts and Mandatory Delivery Commitment extensions of up to 30 days if requested prior to midnight ET of the Lock Expiration date. Some products such as Non-Conforming/Jumbo may also restrict the total number of extension requests in addition to total number of days and available increments. Current extension terms and fees can be found on the initial page of the daily Rate Sheet. The fees on the Rate Sheet in effect at the time Client requests the extension will apply. Extension Requests beyond 30 days from the original lock expiration will only be considered on a case-by-case basis and must be requested directly with the NewRez Registration Desk. Upfront fees or higher extension fee charges may be required for any exceptions to our standard extension policy.

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

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

A414 Expirations**A. Delivery Expiration vs. Lock Expiration**

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

The Delivery Expiration Date is the deadline within which Client must deliver closed loan with all required documents including complete credit and closing package to NewRez. If a Client fails to deliver by the delivery expiration, NewRez will re-price the loan subject to worse case pricing once the credit and closing files are received.

The Delivery Expiration when applicable will display on the Commitment Confirmation.

NewRez encourages all Clients to monitor lock and delivery expiration dates very carefully. Failure to extend a lock prior to its lock expiration date in order to meet Funding Deadlines or failure to complete delivery on or before delivery expiration date may result in costly re-pricing.

B. Holiday or Weekend Lock Expirations

If the initial lock expiration on a loan would fall on a weekend or NewRez observed holiday, NewRez will automatically roll the Lock Expiration Date to the next business day. Any subsequent extensions or relocks however may cause the loan to expire on a weekend or NewRez holiday; in that case, the expiration date will NOT roll to the next business day. In all cases, the loan must be closed and disbursed by the Lock Expiration Date, and if an extension is desired, it must be requested on or before the Rate Lock Expiration Date.

If the Delivery Expiration Date falls on a weekend or NewRez observed holiday Client must still ensure that the complete credit and closing files are received on or before the Delivery Expiration Date of the Rate Lock Commitment. To ensure the loan is received without any issue, NewRez strongly encourages Clients to deliver the full file prior to the delivery expiration date.

C. Expired Commitments

If a relock on an Individual Best Effort Commitment is requested on an expired lock, the loan will be relocked subject to worse case pricing comparison and the applicable relock fee as identified in Subsection D, Relock Fees and Terms.

If the loan is canceled prior to the lock expiration, and then reestablished as a new loan, the same relock fee structure noted below will be applied based on cancellation date rather than lock expiration. In cases where the loan has been delivered for purchase and suspended greater than 30 days please see Subsection F.

- A relock request may be subject to additional risk of secondary market illiquidity, and NewRez may not accept the original locked rate.
- NewRez may deny the original locked rate on an expired lock due to market illiquidity.
- Rates not listed on the current Rate Sheet are illiquid rates and Client may not be able to relock them.
- Loans that are relocked must meet all current product eligibility guidelines.
- Loans that have expired and have been relocked more than once may be subject to additional fees or may become ineligible for relock.
- Individual Mandatory Commitments that expire or are canceled are subject to Pair-off Fees as outlined in A417 Calculation of Pair-off Fees.

D. Relock Fees and Terms

We reserve the right to disallow a relock based upon a rate or product guideline availability.

- It is the responsibility of the Lender to relock an expired lock prior to delivering the closed loan package. Delivering a package that has an expired lock may delay the processing of that loan package, and we will not be responsible for adverse market movement between the time of delivery and the time a relock is completed.
- If a relock occurs within 30 days of the lock expiration date or the lock cancellation date, relock pricing is based on either current market pricing at the desired lock term or the existing pricing minus the relock fees below, whichever is worse.

	< 3 Prior Extensions	>=3 Prior Extensions
15 Days:	0.30	0.60
30 Days:	0.60	1.20
45 Days:	0.90	1.80
60 Days:	1.20	2.40

- When applicable, the relock fees apply to each relock regardless of current market conditions.
- Relock requests for loans expired more **than 30 days** will be priced to the current market at the time of relock.
- The new expiration date is calculated from the date the loan is relocked.
- Any previous extension or relock fees will be retained and deducted from the new price.
- Non - Agency Jumbo, and other Non-Conforming products may have separate re-lock policies. Please contact the Lock Desk for relock pricing.

E. Late Delivery

If Client delivers into a Rate Lock Commitment where the delivery expiration date has already past, NewRez will assume that Client is requesting the loan to be relocked. Once the credit and closing files are received and the loan has been identified as delivered late, NewRez will automatically relock the loan subject to worse case pricing.

Worse Case will be determined in the following manner:

Individual Best Effort:

Comparisons for the same product and interest rate will be made between the most recent lock base price less the selected product's minimum available extension costs to cover the days expired vs. the current Rate Sheet base price for the shortest available best effort lock window (i.e. 15 day). If the current market price is lower than a commensurate extension fee would cost from the date of the prior lock expiration to the new requested expiration, then the current base Rate Sheet price will be applied.

If the current Rate Sheet base price is higher than the original (most recent) expired/canceled lock, then the total extension cost will be applied to the original base price and the lock expiration date adjusted accordingly.

The Delivery Expiration will be reset to reflect the later of the credit or closing file received date, no additional time will be provided.

Examples

A conforming loan is locked for 30 days at a base price of 101.00. It is delivered 4 days late (assuming a 2 day delivery window, loan is 6 days past Rate Lock Expiration). Current market at the same note rate is 101.00. Loan is relocked charging a 6-day extension cost.

A Jumbo loan is locked for 30 days at a base price of 101.00. It is delivered 4 days late (assuming a 2 day delivery window, loan is 6 days past Rate Lock Expiration). Current market at the same note rate is 101.00. Loan is relocked charging a 10-day extension cost (the minimum extension increment available for that product which will cover the 6 day window).

Individual Mandatory:

Loan will be subject to Pair-off penalty as outlined in Section A417 and relocked at current market based for the same lock window.

F. Loans Suspended Greater Than 30 Days

If a loan remains in suspense greater than 30 days, the loan will be determined to be un-purchasable. Loans will be canceled and paired-off, and all extension fees and suspense fees may be taken into account when determining the adjusted pair-off price.

The only exception to this process will be at the discretion of NewRez where as an exception, Client may be permitted to have a loan remain in suspense longer than 30 days in order to accommodate special Client circumstances. If NewRez makes an exception to purchase a loan that has been in suspense for more than 30 days, the loan will be relocked in the following manner once all conditions have been cleared.

Individual Best Effort:

Loan will be relocked subject to the worse of either accrued suspense fees for 30 days or worse case market reprice. In the case of loans suspended greater than 30 days, worse case market pricing will be determined by comparing base price to base price for the same rate lock terms.

Individual Mandatory:

Loan will be subject to Pair-off penalty as outlined in Section A417, 30 days of accrued suspense fees, and will be relocked at current market once all suspense conditions are cleared.

For additional information on suspended loans, see Section A415 Suspended Closed Loans.

G. Individual Mandatory Commitments

If a loan locked in under an Individual Mandatory Commitment is canceled, expires without being fully delivered, or is delivered late, the loan will be subject to Mandatory Pair-off fees as outlined in Section A417. If relocked, the loan would be eligible to be relocked at current market less the applicable Pair-off fees. If an Individual Mandatory loan that is suspended greater than 30 days is approved for purchase, loan will be subject to Pair-off fee, 30 days of accrued suspense fees and relocked at current market once all suspense conditions are cleared.

A415 Suspended Closed Loans

NewRez will not purchase loans with incomplete funding documents. If a document or qualification deficiency is determined, the loan will be suspended.

Client may incur late fees in the event that NewRez does not receive the information or documentation needed to purchase the loan within the following time frame:

- Five business days from the later of the delivery expiration or the initial suspense notification

If Client does not provide complete and compliant funding documents within the time frame listed above, NewRez may, at its discretion, allow or require any of the following (either singly or in any combination):

- Allow Client additional time subject to payment of suspense fee
- Allow Client additional time subject to NewRez's re-pricing the loan
- Reject the delivery
- Reject the delivery and require payment by Client of a Pair-off Fee

A delivery is not deemed accepted by NewRez unless and until NewRez acknowledges receipt of the closing and credit files, and in addition, wires applicable funds to Client via wire instructions provided. Once this occurs, a Purchase Advice detailing the funds sent will be posted to the secured website for the Client to review.

If the initial outstanding deficiencies/suspense items are not resolved by the delivery expiration date suspense fees will accumulate on a per diem basis until the NewRez determines that the loan is eligible to fund.

- Beginning from the later of the Delivery Expiration or the date of initial loan Suspense, Client will have 5 business days to clear all suspense before suspense fees begin to accumulate.
- After the suspense grace period, fees will be calculated on a per diem basis, based on the number of days the loan remains in suspense.
- The per diem charge may fluctuate based on market and business conditions.
- Per diem values will be posted daily on the Rate Sheet near extension costs
- The per diem charge in effect on the day the loan is deemed eligible for purchase will be applied to calculate the total suspense fee.

After 30 days of suspense, if the deficiencies are still not cleared, the loan will be determined to be un-purchasable. Loans with suspense items that cannot be cleared or loans where Client does not appear to be actively working to resolve will be canceled, and the loan files returned to Client. These loans will be paired-off, and all extension fees and suspense fees may be taken into account when determining the adjusted pair-off price.

The only exception to this process will be at the discretion of NewRez where as an exception, Client may be permitted to have a loan remain in suspense longer than 30 days in order to accommodate special Client circumstances. If NewRez purchases a loan that has been in suspense for more than 30 days, the loan will be relocked based on terms identified in Section A414 Subsection F Loans Suspended Greater Than 30 Days. Any loans suspended greater than 30 days must also meet all current pricing and product guidelines and eligibility.

Loans that have been previously delivered to NewRez for purchase and subsequently canceled may not be eligible for resubmission regardless of age or previous time in suspense. Any exception granted to permit resubmission of a previously delivered loan may be subject to additional fees as determined by NewRez including but not limited to relock and previously accrued suspense charges.

Suspense fees and policies are at the discretion of NewRez and are subject to change without notice.

A416 Failure to Deliver

A. Best Efforts Delivery Commitments

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

Once Client closes a loan subject to a Best Efforts Delivery Commitment, the Commitment is deemed a Mandatory Delivery Commitment and is subject to the terms listed below for Mandatory Delivery Commitments.

If Client fails to deliver eligible loans, equal to at least 75% of the loan amounts locked under its Best Efforts Delivery Commitments, in any two consecutive calendar quarters, NewRez reserves the right to assess Client an additional fee (equal to an amount up to the difference between the Best Efforts Delivery Commitment dollar amount and Client's loan amount for delivered and otherwise eligible loans in those prior quarters).

B. Mandatory Delivery Commitments

Participation in a Mandatory Delivery Commitment is permitted at NewRez's discretion. Client must be prior approved by NewRez's Credit Risk Group to take out Mandatory Trades. NewRez may restrict or halt Client's future participation in a Mandatory Delivery Commitment at any time.

Unless otherwise stated by the Registration or NT Desk, Client must deliver eligible loans under a Mandatory Delivery Commitment, conforming to the applicable loan Program described in the Commitment, with a loan amount that is within 2% (plus or minus) of the original committed amount and within .25% (plus or minus) of the original locked interest rate.

To the extent Client's delivery of eligible loans under a Mandatory Delivery Commitment has an aggregate outstanding principal balance (subject to the allowances stated above) less than the Commitment amount, NewRez may, at its discretion, charge Client a Pair-off Fee as described in the Calculation of Pair-off Fees section in this chapter. It is the Client's responsibility to notify NewRez if they cannot deliver a Mandatory loan on time. NewRez may, at its discretion, assess a fee in accordance with the Client Contract.

A417 Calculation of Pair-off Fees

Pair-off Fees are fees that may be assessed at NewRez's discretion if Client fails to deliver qualifying loan files in the amount of the commitment by the expiration date.

Calculating the Pair-off Fee:

- If market price is better, the Pair-off Fee is the full difference between the locked price and the market price, subject to a minimum charge of 0.125%.
- If market price has declined, the minimum Pair-off Fee is 0.125%.
- Any extension fees that are particular to the loan may also be included in the pair-off calculation.

Determining Market Price:

- If Client does not deliver a loan locked into an Individual Mandatory Delivery Commitment before the lock expiration date, the market price used to determine the Pair-off Fee is the price for a comparable Commitment, at a comparable rate and lock window, available on the Rate Sheet the next business day following the expiration date.
- If Client cancels or withdraws an Individual Mandatory Delivery Commitment before the lock expiration, the current market price used to determine the Pair-off Fee is the price for a comparable Commitment on the initial Rate Sheet in effect when the Commitment cancellation or withdrawal occurs.
- If Client closes and delivers an Individual Mandatory Delivery Commitment for purchase, and loan is subsequently canceled after the expiration date or remains in suspense for over 30 days, the Pair-off Fee is based on the price for a comparable Commitment, at a comparable rate and lock window, available on the initial Rate Sheet in effect on the cancellation date or 31 days after Delivery Expiration, whichever is sooner.

- If a Client closes and delivers an Individual Best Effort Delivery Commitment for purchase, and loan is subsequently canceled the Pairoff Fee is based on the price for a comparable Commitment, at a comparable rate, and lock window available on the initial Rate Sheet in effect on the cancellation date or 31days after Delivery Expiration, whichever is sooner.

Additional Items:

- If Client relocks an Individual Mandatory Delivery Commitment trade, the Pair-off Fee may be imbedded into the price of the new commitment. If imbedded, the new commitment will be priced at current market less the Pair-off Fee. If Client does not deliver the relocked commitment, the commitment will be paired-off at the new price (net of the imbedded Pair-off Fee).
- Pair-off fees will appear on the monthly eBilling invoice under pipeline manager on the website and are due upon receipt.

A418 Withdrawing or Canceling Loans

A. Withdrawing or Canceling loans

A Client may request NewRez to cancel or withdraw a loan. Once cancelled or withdrawn for any reason, the loan immediately ceases to be price or guideline protected. There can be no reinstatement of that specific loan number. Should Client request a loan reinstatement and should NewRez reinstate the loan, it will be re-registered and re-priced according to pricing policies outlined in Section A414 Expirations. Cancellation may take place through the website or through the Registration or NT Desk.

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

B. Cancellation of Best Efforts Delivery Commitments

NewRez monitors patterns to identify potential non-compliance with the Best Efforts Delivery Commitment policy. NewRez reserves the right to contact the applicant or use other available means in the event of a cancellation, to confirm the status of the loan. In the event a loan is closed and delivered for purchase, and is subsequently withdrawn or deemed un-purchasable, NewRez at its discretion will assess a pair-off or cancellation fee as outlined in Section A417.

C. Declined loans

In order to ensure NewRez's ability to comply with the Home Mortgage Disclosure Act (HMDA) and the Equal Credit Opportunity Act (ECOA), all loans underwritten by NewRez or Contract Underwriting that result in the loan being declined will be declined regardless of lock expiration. The rate lock will be cancelled.

Resubmissions after the decline date and/or cancellation will require a new registration and underwriting submission. The resubmitted loan continues to be subject to worse case relock policies as outlined above in Section A414.

A419 Seasoned Loans

Complete closed loan packages (Credit file, Closing file) must be received by NewRez within **60 calendar days** from Note date for Conventional and Government loans and **15 calendar days** for Jumbo loans. Loans with Note dates beyond this timeframe or loans where NewRez would be purchasing the fourth payment or more as first payment due NewRez are considered seasoned. NewRez does not purchase seasoned loans. Loans in suspense will be guided by the policy as set forth in Section A415, Suspended Closed Loans.

This includes all delivery types.

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

A420 Web User Names

Any time the Client contacts the Registration or Negotiated Transactions Desk the Client is required to provide their personal user name for the website. Since web user names are used by the Desks to determine the caller's appropriate security access, it is important that the Client Web Administrator sets up each user at their company with a unique user name and provides them with appropriate access levels. Generic User Names like "Lock Desk" may not be permitted. If a caller does not have their own user name, or has not been given access to the appropriate features on the website, they will be instructed to fax their request directly to the desk. Under no circumstances should user names be shared between co-workers. The Client's Web Administrator is responsible per the Web Agreement & Terms of Use to ensure that all users are set up with appropriate access at all times. NewRez will not be held responsible for transactions completed by unauthorized individuals.

A421 Error Notification

NewRez will not be held responsible for incorrect registrations and/or loan lock errors. Errors, omissions, or mistakes that are reported to the Registration/NT Desk immediately after the incident occurs will be considered on a case-by-case basis for correction without penalty. It is the Client's responsibility to contact the NewRez Registration/NT Desk to report registration or lock-in issues, missing lock-in requests, or pricing discrepancies. Any correction of errors or supplemental information for omissions after the loan has been locked may require that the loan be repriced based worse case pricing.

A422 Problem Resolution

Any contingency, issue, process, or scenario not covered in this document should be considered outside of NewRez's policy and, therefore, subject to review by the NT Desk. Clients are encouraged to call the NT Desk when they have questions or pricing issues with a loan. An agent will make every effort to resolve the issue, but if the issue cannot be resolved, the matter may be escalated to the Team Leads for resolution. If the resolution is not satisfactory, the problem can be escalated to the Manager of the Registration/NT Desk and then to the appropriate Sales Director.

Chapter 4B Bulk Commitments

Before selling Loans to NewRez, Client must obtain a pricing Commitment. A variety of pricing options are offered to best suit the needs of our individual Clients. Our pricing policies are designed to work for the mutual benefit of all parties involved. For related information, see [Chapter 4A](#) Flow Registration of this Client Guide.

B400 Bulk Commitment Defined

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

NewRez evaluates Clients and upon meeting all requirements, grants bulk mandatory approval. Bulk mandatory approval grants a Client the ability to deliver under the following delivery option.

Forward Commitment

A forward commitment is a Mandatory Delivery Commitment to sell a group of Loans, meeting all parameters of a specified Loan Program, at an agreed price, at or before a specific expiration date. The advantage of this method is that while the delivered Loans must meet the parameters of the specified Loan Program, Client need not provide Loan level detail at the time of Commitment (See the [Forward Commitments section](#) in this chapter for more information).

NewRez will assign a master commitment number for each of the above referenced delivery scenarios.

B401 Process Information

Prospective bulk Clients will be contacted by a member of the Bulk Acquisitions team prior to the initial bulk transaction. The purpose of this session is to determine the following.

- Time lines/Expectations: Delivery and funding expectations vary by trade and Loan Program and will be negotiated with the Trade Desk at the time of each bid.
- Delivery Options (See [Chapter 12A](#), Methods of Delivery, of this Client Guide for delivery options)
 - Standard
 - Image
 - SFTP

NewRez bulk transaction contacts are as follows:

A. Contact Information

- Phone 866.395.4622 (8:30 AM to 5:00 PM EDT)
- Email - NTRRequestsMailbox.FTW@NewRez.com
- Fax Inbound: 866-509-6169

B. Document Delivery Locations**Loan File (Forward Transactions)**

NewRez
1100 Virginia Drive, Suite 91
MC 190-FTW-M91
Fort Washington , PA 19034
Attn: NewRez Bulk

Original Note (Forward Transactions)

Wells Fargo Bank
GTSL
1100 Virginia Drive
Fort Washington, PA 19034
Mail Code 190-FTW-W30

B402 Commitment Confirmation

A Commitment Confirmation is NewRez's written communication to Client confirming acceptance of the Client's Commitment and additional terms and conditions applicable to NewRez's potential purchase of the Loan under such Commitment.

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

Additional terms applicable to all Commitments include the following.

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

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

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

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

Further, Client acknowledges that prices in a Commitment Confirmation will be those applicable at the time NewRez responds to the request for Commitment, and that NewRez is not responsible for market changes or other Re-Pricing events that may have occurred between the time of Client's request and NewRez's response. Further, Client acknowledges that if NewRez accepts a

Commitment by voice (such as by telephone), the Commitment will remain subject to all terms and conditions shown in a subsequently delivered Commitment Confirmation.

Each Commitment Confirmation will provide NewRez's applicable Commitment number, which Client must include in all future communications regarding such Commitment.

B403 Over-Delivery or Failure to Deliver

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

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

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

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

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

For all Rate Sheet Forwards and live Trades, if a partial file has been received prior to the date of expiration, the commitment will automatically get extended allowing for late delivery of the full credit file. All extension costs will apply. If, after a period of time a full credit file is not delivered, the remaining balance of the commitment, net of tolerance, will be paired out.

Live Trade AOT and Forward customers who receive approval to substitute a loan to replace a rejected loan within 30 days of the original commitment expiration date will be charged the extension costs from the original expiration date to the receipt of the new loan's closing and credit file. Substitutions can be rejected at any time at the discretion of NewRez's Capital Markets team.

If there has been no delivery (partial or otherwise) for a portion of the commitment prior to the date of expiration, the remaining balance, net of tolerance, will be subject to pair off fees.

B404 Calculation of Bulk Pair-off Fees

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

- Please contact the Bulk Desk for pair-off procedures and fees on these special transactions.
 - If market prices have risen, the Pair-off Fee is the full difference between the locked price and the market price, subject to a minimum charge of 0.125%
 - If market price has declined, no Pair-off Fee will be charged
- NewRez reserves the right to adjust or waive any Pair-off Fee at its discretion

B405 Forward Commitments

A forward commitment is a Mandatory Delivery Commitment a Client enters into with NewRez to sell a group of Loans, of a specified Loan Program, at an agreed price, at or before a specific expiration date. The advantage of this method is that while the delivered Loans must meet the parameters of the specified Loan Program, Client need not provide Loan level detail at the time of Commitment. NewRez offers one type of forward transaction.

- Rate Sheet (Flow) Forward

Loan Program eligibility for all forwards varies and should be discussed with the Trade Desk prior to execution.

A. Rate Sheet Forwards

A Rate Sheet Forward is a Mandatory Delivery Commitment a Client enters into with NewRez to sell a group of Loans of a specified Loan Program. The volume to be sold is established by Client, subject to acceptance by NewRez, at the time of the Commitment and the current flow pricing for that Loan Program is accepted as the basis for pricing all Loans funded in the Commitment.

Client executes these trades over the telephone, which allows the Trade Desk to apply any market movement to the current Rate Sheet, ensuring the most aggressive pricing available from NewRez.

The range of acceptable Note rates for a forward transaction will be determined by the published range on the Rate Sheet for a flow forward transaction and will be a negotiated range for all other transaction types.

1. Trade Execution

- Contact the Bulk Commitment Desk. See the Process Information section in this chapter for contact information
- Request a bid on a Rate Sheet Forward. You must identify yourself and your company and provide Client ID where applicable
- Bid request must include the Loan Program, dollar amount to be committed, the Note range with the target Note rate and the Commitment Period
- The minimum Commitment amount must be greater than 500K. The maximum Commitment amount will be negotiated
- The available Commitment Periods can vary and must be negotiated with the Trade Desk at the time of execution
- Based on the requested trade, the Bulk Commitment Desk adjusts the current Rate Sheet based on the current market movement from the time of the most recent Rate Sheet
 - When the Bulk Commitment Desk accepts the trade or bid, they email a confirmation to Client describing the details of the trade, including delivery and funding time lines

2. Delivery and Funding

- Delivery instructions for the specific Loans are found in the Process Information section in this chapter (Shipping Loan Files/Original Notes)
- Loans are funded as they clear the purchase review process (flow fund). All Loans must be delivered in purchasable condition

3. Late Delivery/Non Delivery

The rate sheet forward confirmation contains one date:

- Commitment Expiration Date

Complete Loan packages (credit package and original note) must be received by NewRez on or before the Commitment Expiration date.

Online reports to review deliveries, suspense, and fundings are available on corr.newrezcorrespondent.com. Additional reporting can be obtained through the respective Deal Manager assigned to the account.

Loans received after the Commitment Expiration date will be subject to an extension fee and/or pair-out fee.

Extension fees can be provided on Commitments prior to the Commitment expiration date. NewRez permits a maximum of two extensions per trade combined totaling no more than 30 days.

B406 Live Trade

A Live Trade is a Mandatory Delivery Commitment a Client enters into with NewRez to sell a group of Loans, of a specified Loan Program, at an agreed price, at or before a specific expiration date. The advantage of this method is that while the delivered Loans must meet the parameters of the specified Loan Program, Client need not provide Loan level details at the time of Commitment.

Client executes these trades by calling 866-395-4622, which allows the Trade Desk to capture the current live market price, ensuring that customers receive the most aggressive pricing available from NewRez.

The range of acceptable Note rates for a live trade vary based on the security coupon requested at time of commitment.

1. Trade Execution

- Approved Customers (see section B400 of the Client Guide for a description of the Mandatory Delivery Approval requirements) will receive a copy of NewRez Live Trade Pricing Model each business morning via email.
- For live pricing, call 866-395-4622, identify yourself, your company, your NewRez Client ID and the following commitment characteristics; Security Type, Security Coupon, Issue Month, and dollar amount to be committed.
- There is no minimum trade amount for Live Trade while the maximum Commitment amount will be negotiated.
- The available Commitment Periods can vary and are based on the time of execution. The delivery windows available at time of execution can be found in the daily Live Trade Pricing Model.
- When the Commitment Desk executes the trade, you will receive a confirmation via email describing the details of the trade – Eligible

2. Delivery and Funding

- Delivery instructions for the specific Loans are found in the Process Information section in this chapter (Shipping Loan Files/Original Notes)
- Loans are funded as they clear the purchase review process (flow fund). All Loans must be delivered in purchasable condition

3. Late Delivery/Non Delivery

NewRez must receive complete Loan packages (credit package and closing packages) on or before the Commitment Expiration date.

Online reports to review deliveries, suspense, and fundings are available on corr.newrezcorrespondent.com. Additional reporting can be obtained through the respective Deal Manager assigned to the account.

Loans received after the Commitment Expiration date will be subject to an extension fee and/or pair-out fee. Extensions are permitted if requested prior to the Commitment expiration date. NewRez permits a maximum of two extensions totaling no more than thirty days.

Clients interested in participating in this program are urged to contact their respective Sales Director for complete program information.

B407 Seasoned Loans

Complete closed loan packages (Credit file, Closing file) must be received by NewRez within **60 calendar days** from Note date for Conventional and Government loans and **15 calendar days** for Jumbo loans. Loans with Note dates beyond this timeframe or loans where NewRez would be purchasing the fourth payment or more as first payment due NewRez are considered seasoned. NewRez does not purchase seasoned loans. Loans in suspense will be guided by the policy as set forth in Section A415, Suspended Closed Loans.

This includes all delivery types.

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

Chapter 5 Client Underwriting Authority

Client underwriting authority is granted based on net worth requirements, experience, agency eligibility, and other criteria as outlined in [Chapter 1B](#) Client Eligibility of this Client Guide. Clients can be approved for Delegated or Non Delegated underwriting options. To learn more about the requirements for delegated underwriting approval contact your NewRez Regional Account Manager.

Underwriting authority may be limited by product type, and, in some cases, NewRez underwriting may be required, regardless of Client's underwriting approval authority.

500 Underwriting Authority

	Delegated Correspondent Client	Non-Delegated Correspondent Client
Conforming Loans	<p>A Delegated Correspondent Client has the following underwriting authority:</p> <ul style="list-style-type: none"> Individual loan amount \leq \$1 million <ul style="list-style-type: none"> NewRez total overall exposure with one borrower \leq \$1.5 million. Total overall exposure includes all NewRez liens on all properties owned by the borrower When a borrower has more than one pending transaction, all files must be underwritten together in order to consider the overall risk(s) and qualifying transactions 	<ul style="list-style-type: none"> All loans must be underwritten by NewRez
FHA Loans	<p>A Delegated Correspondent Client must:</p> <ul style="list-style-type: none"> Have FHA Unconditional Direct Endorsement (DE) Authority Be approved by NewRez to deliver FHA production 	<p>All FHA loans must be underwritten by NewRez under FHA Sponsored Originations framework. Some Non-Delegated Correspondent Clients may be able to fund loans with NewRez approval.</p> <p>If the Client has FHA Conditional DE Authority for FHA loans and going through test cases with FHA approval), a firm commitment form FHA must be in the loan file prior to delivery to NewRez.</p> <p>The Client must be registered as a sponsored originator in FHA Connection.</p>

	Delegated Correspondent Client	Non-Delegated Correspondent Client
VA Loans	A Delegated Correspondent Client must: <ul style="list-style-type: none"> • Have VA Automatic Lender Authority and have Lender Appraising Processing Program (LAPP) Authority, or • Have VA Automatic Lender Authority but not LAPP. NOV issued by VA must be in loan file prior to delivery to NewRez • Be approved by NewRez to deliver VA production 	All VA loans must be underwritten by NewRez. Some Non-Delegated Correspondent Clients may be able to fund loans with NewRez approval. The Client must be registered with the VA as a NewRez designated Agent.
USDA Loans	A Delegated Correspondent Client must: <ul style="list-style-type: none"> • Must be a USDA approved lender, and • Be approved by NewRez to deliver USDA production 	All USDA loans must be underwritten by NewRez. Some Non-Delegated Correspondent Clients may be able to fund loans with NewRez approval. The Client must be registered as a NewRez Agent in USDA's Guaranteed Underwriting System (GUS).

501 Obtaining Automated Underwriting Recommendations

Most NewRez products allow, and some require, the use of automated underwriting. NewRez allows Desktop Underwriter and Loan Product Advisor for conforming products. See specific product summaries for AUS requirements.

502 Obtaining Desktop Underwriter or Loan Product Advisor Recommendations

Non-Delegated clients must use NewRez as the sponsoring lender when using automated underwriting. Delegated Clients may use their own access to an AUS recommendation or may use NewRez sponsorship.

All loans submitted for an AUS recommendation must include a signed application/authorization by the borrower. The loan must be registered with NewRez before submitting the transaction using NewRez sponsorship.

1. **Desktop Originator:** Utilize Desktop Originator to obtain a Fannie Mae Desktop Underwriter recommendation using NewRez sponsorship. If not already submitting loans using Desktop Originator, use the following link for more details on how to sign up and submit loans using [Desktop Originator](#).
2. **Loan Product Advisor on the Internet:** Use LPA on the internet to obtain a Freddie Mac LPA recommendation. Visit freddiemac.com to learn more details about accessing Loan Product Advisor on the internet.

503 Connection Using Fannie Mae's Desktop Originator

When using Desktop Originator, choose the NewRez Sponsorship institution.

When using NewRez Underwriting for validation and underwriting, select *NewRez LLC* in Desktop Originator. The NewRez underwriter will have access and edit rights to the loan and will be able to update the loan based upon the underwriting review.

If using the following underwriter for validation...	Select this institution in Desktop Originator...
NewRez Underwriting (Non-Delegated Clients)	NewRez LLC

In addition, the loan must be placed in a *Final* status before submitting the loan for underwriting in order for the underwriter to make any applicable changes to the loan submission.

A *Final Clear to Close* approval will not be issued by NewRez unless the loan has been placed in a *Final* status in Desktop Originator or Loan Product Advisor.

504 Connection Using Loan Product Advisor on the Internet

Depending upon the circumstances of the loan review, the underwriter may request the Correspondent Client make changes to loan and resubmit to Loan Product Advisor or the underwriter may request the Correspondent Client to update LPA to show submitting company as NewRez, which will allow the underwriter to make changes.

505 Submitting Loans for Underwriting to NewRez

Loans submitted to NewRez for underwriting can be uploaded through Image Central. From the menu on the left, choose Image Central then Import Images. Refer to the job aids listed in the same menu for the process of uploading a file.

A. Loan Decisions

1. Approved Prior to Close-Underwriter to Clear Conditions (PTC)

The loan has been reviewed and approved by the underwriter, subject to conditions that must be reviewed and cleared by NewRez prior to closing. A closing package may not be uploaded to image central until all PTC conditions have been cleared.

For loans in an approved PTC status that do not fund, NewRez may issue an adverse action letter to the correspondent client. For those non customary condition that remain, the loan may be declined based on those reasons

Generally, for loans not funding, the loan will be removed from pipeline and declined based on the following.

- Floating Existing PTC Loans
 - Existing properties are removed from pipeline with adverse action letter sent on day 90
 - New construction properties are removed from pipeline with adverse action letter sent 300 days after the PTC decision date
- Locked PTC Loans
 - Existing properties are removed from pipeline and adverse action letter sent on the greater of 60 days after the delivery expiration of the lock or 90 days after the PTC decision date

- New construction properties are removed from pipeline and adverse action letter sent on the greater of 300 days after the delivery expiration of the lock or 365 days after the PTC decision date

2. **Approved Clear to Close**

When all Prior to Close-Underwriter to Clear conditions (PTC) are satisfied, the loan decision will be moved to Approved Clear to Close. The loan can close and closing package can be uploaded to image central for submission to purchase

3. **Suspended and Declined Loans**

If loan package does not contain enough information for the underwriter to make a credit decision, the loan will be suspended for the additional information. A Suspense notification does not qualify for a Regulation B decision. If suspense conditions are not satisfied within 30 days of NewRez receiving the credit file, the loan will be declined for the missing documentation. The credit file received date is defined as the initial upload of any credit documentation to Image Central.

Suspended loans also include loans that are recommended for denial. The suspense notification will include the reason for recommended denial. The client will have the opportunity to cure the deficiency or restructure the loan up through the Reg B ECOA 30 day requirement.

If the loan is locked and a decline decision is rendered, the lock/price will be cancelled. Re-submission of a declined loan will require additional information as well as a new NewRez loan number. The loan may be subject to worse case pricing.

All loans that are declined will have adverse action notices sent to correspondent client.

4. **Declined Loans**

Loan has been reviewed by the underwriter and loan does not meet NewRez and/or agency requirements. If the loan is locked, the lock will be cancelled, and any resubmission will require a new loan number and worse case pricing. See suspended loans above as declines will be placed in suspense status to allow for restructuring and curing deficiencies.

5. **Declined-Counteroffer**

The credit file was reviewed by underwriting but NewRez does not grant credit based on the original request. In turn, NewRez offers to grant credit on other terms or a different amount. In this case, NewRez notifies the correspondent client and offers a change of terms in writing no later than 30 calendar days after receipt of a completed application. If the applicant rejects or does not respond to the counteroffer within 15 days, the loan is denied at the original terms and cancelled.

506 Contact and Help Information

NewRez provides support and help line information on all products and underwriting options.

- Underwriting Hot Line: For questions on underwriting guidelines, products, or scenarios, contact our Underwriting Hot line at 877-700-4622; Option 4. Questions can also be emailed to UWhelpdesk@newrez.com
- Underwriting Status: [NewRez's website](#) is available for Clients to check on the status of underwriting submissions to NewRez. Log into the secured portion of the website and use the Loan Status function. Enter the loan number and click on the Underwriting Tab. The current underwriting status as well as the applicable loan decision letter will display on the Underwriting tab. The loan status and the decision letter will be updated as changes are made to the transaction.
- Exception Requests: If your loan requires a product or underwriting guideline exception, use the Loan [Exception Request Form](#) found in the Forms Library on our website. The loan must be registered with NewRez and assigned a NewRez loan number prior to submitting the completed Loan Exception Request Form.

1. Loan Exception Requests for Loans Not Closed

Loans requiring a credit policy exception need to be uploaded through Image Central for full underwriting review. This applies both to delegated and non-delegated clients. The loan will go through the set-up process before being assigned to an underwriter for review. The NewRez underwriter will submit the exception request, once the loan is reviewed.

The [Loan Exception Request Form](#) must be completed in its entirety and uploaded along with the complete loan file "as Document Type CREDIT FILE" through Image Central Please review NewRez's [Underwriting Submission Checklist](#) for documentation when submitting a file for Underwriting .

2. Loan Exception Requests for Closed Loans

The [Loan Exception Request Form](#) must be uploaded through Image Central as Document Type 'Exception Requests' along with the Closing Disclosure evidencing the loan has closed, along with any applicable documentation needed to review the request for exception.

Chapter 10 Insurance and Loan Documents

This chapter outlines NewRez's standards for insurance, surveys, loan documents and note requirements that apply to all NewRez Loan Programs.

1000 Description of Underlying Chapters

[Chapter 10A, Insurance and Survey Requirements](#)

[Chapter 10B, Loan Documents and Notes](#)

Chapter 10A Insurance & Survey Requirements

This chapter describes the insurance and survey requirements that apply to all NewRez Loan Programs. Generally, eligibility policies that vary from one Loan Program to another are described in our Product Matrices.

A1000 Insurance Requirements

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

A1001 Hazard Insurance

A. General Hazard Insurance Requirements

1. Carrier

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

(a) An Insurer With An Acceptable Rating

Carriers Rated by A.M. Best Company

- “B” or better Financial Strength Rating and a Financial Size Category of a least “III” in *Best’s Insurance Reports*
- “A” or better Financial Strength Rating and a Financial Size Category of “VII” or better in *Best’s Insurance Reports Non-US Edition*

Carriers providing coverage for co-op projects must have a Financial Strength Rating of “A” or better and a Financial Size Category of “V” in *Best’s Insurance Reports*.

Carriers Rated by Demotech, Inc.

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

Carrier’s Rated by Standard and Poor’s

- “BBB” or Insurer Financial Strength Rating in *Standard and Poor’s Ratings Direct Insurance Service.*”

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

(b) Other Acceptable Insurance Underwriters

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

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

2. Assessments

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

3. Mortgagee Clause; Endorsement

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

Conforming and Government Loans:

Shellpoint Mortgage Servicing
ISAOA ATIMA
PO BOX 7050
Troy MI 48007-7050

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

4. Policy Term

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

5. Policy Effective Date

For Escrow States, the policy effective date must be on or before the date the Borrower's loan is funded.

For Non-Escrow States, the Policy effective date must be on or before the Note or Signing Date (whichever is sooner).

6. Evidence of Insurance

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

- Hazard Insurance Policy;
- A Certificate of Insurance, Evidence of Insurance Form, Declaration Page, or Insurance Binder (Temporary Insurance Contract) that contains at least the following information:
 - Name of insured (for condominiums and PUDs, the homeowners association is the named insured);
 - Name of mortgagee
 - Property address, including zip code. A legal description must be shown for rural properties, condominiums, or other properties if the property address does not adequately define the location of the property. (Example: Route 1, Box 5, is inadequate).
 - Mailing address, if different from property address (second homes and non-owner occupied investment property)

- Type, amount and effective dates of coverage
- Deductible amount and coverage to which each such deductible applies;
- Any endorsement or optional coverage obtained and made part of the original policy;
- Insurer's agreement to provide at least 10 days' notice to the mortgagee (including any applicable PUD or Condominium Unit or ground lease community leasehold mortgagee) before cancellation of the policy; and
- Signature of an authorized representative of the insurer, if required by law.

Purchase Transactions

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

Refinance Transactions

- If the insurance is due to expire within 60 days of closing, the Borrower may submit a paid receipt for the next year's premium, OR
- The closing/escrow agent may be instructed to pay the amounts due prior to the first payment date at closing and must appear on the Closing or Escrow Instructions.

B. Minimum Property Insurance Types and Amounts

1. 1-4 Unit Properties

(a) Type of Coverage

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

(b) Coverage Amount

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

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

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

(c) Deductible

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

2. Condominiums and PUDs

(a) Property Insurance Coverage for Units in Project Developments Introduction

This topic contains information on property insurance coverage for units in project developments, including:

- Coverage for Units in Project Developments
- Required Coverage for Condo or PUD Projects
- Amount of Coverage
- Maximum Deductible Amounts
- Special Endorsements
- Special Requirements for Condo Projects
- Named Insured
- Notices of Changes or Cancellation

(b) Coverage for Units in Project Developments

NewRez generally does not require individual insurance policies for a condo unit that secures a first mortgage. However, if the legal documents for the project allow for unit insurance policies for each first mortgage that NewRez purchases or securitizes in a condo or PUD project, NewRez will accept the individual unit insurance policies that meet the requirements in Property and Flood Insurance.

(c) Required Coverage for Condo or PUD Projects

This section covers property insurance requirements for insurance policies covering the common elements of condo and PUD projects—the project’s blanket or master policy.

Acceptable policies must provide coverage for either an individual project or multiple affiliated projects. The insurance policy must at a minimum protect against fire and all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily covered for similar types of projects, including those covered by the standard “all risk” or “special form” endorsement. If the policy does not include an “all risk” or “special form” endorsement, NewRez will accept a policy that includes the “broad form” covered causes of loss. The applicable requirements are:

- **PUD Requirements** — the HOA must maintain a property insurance policy, with premiums being paid as a common expense. The policy must cover all of the common elements except for those that are normally excluded from coverage, such as land, foundation, and excavations. Fixtures and building service equipment that are considered part of the common elements, as well as common personal property and supplies, should be covered. Individual insurance policies are also required for each unit mortgage that NewRez purchases in a PUD project. If the project’s legal documents allow for blanket insurance policies to cover both the individual units and the common elements, NewRez will accept the blanket policies in satisfaction of its insurance requirements for the units.
- **Condo Requirements** — the lender must review the entire condo project insurance policy to ensure the HOA maintains a master or blanket type of insurance policy, with premiums being paid as a common expense. The insurance requirements vary based on the type of HOA master or blanket insurance policy as follows:
 - “Single Entity” policy: The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the HOA. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. The amount of coverage must be sufficient to restore the condo unit to its condition prior to a loss claim event. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event.

- “All-In” (sometimes known as an “all-inclusive”) policy: The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the HOA. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event.
- “Bare Walls” policy: This policy typically provides no coverage for the unit interior, which includes fixtures, equipment, and replacement of interior improvements and betterments. As a result, the borrower must obtain an individual HO-6 policy that provides coverage sufficient to repair the condo unit to its condition prior to a loss claim event, as determined by the insurer.

(d) Amount of Coverage

Insurance must cover 100% of the insurable replacement cost of the project improvements, including the individual units in the project. An insurance policy that includes any of the following coverage, either in the policy language or in a specific endorsement to the policy, is acceptable:

- Guaranteed Replacement Cost—the insurer agrees to replace the insurable property regardless of the cost,
- Extended Replacement Cost—the insurer agrees to pay more than the property’s insurable replacement cost, or
- Replacement Cost—the insurer agrees to pay up to 100% of the property’s insurable replacement cost.

(e) Policies with Coinsurance

Policies with coinsurance provisions can create additional risk for an HOA in the event of a loss if the amount of insurance coverage is less than the full insurable value. Master property policies that provide coverage at 100% of the insurable replacement cost of the project improvements, including the individual units, alleviate the risk of a coinsurance penalty being applied in the event of a loss.

If the policy has a coinsurance clause, inclusion of an Agreed Amount Endorsement or selection of the Agreed Value Option (which waives the requirement for coinsurance) is considered acceptable evidence that the 100% insurable replacement cost requirement has been met. If an Agreed Amount/Agreed Value provision is used, the Agreed Amount must be no less than the estimated replacement cost.

If the policy includes a coinsurance clause, but the coinsurance provision is not waived, the policy is still eligible if evidence acceptable to the lender confirms that the amount of coverage is at least equal to 100% of the insurable replacement cost of the project improvements. This evidence (documentation) must be maintained by the lender.

(f) Maximum Deductible Amounts

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

For losses related to individual PUD units that are covered by the blanket policy for the project, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit. If, however, the policy provides for a wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

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

(g) Special Endorsements

The requirements for endorsements for condo and PUD projects are as follows:

- Inflation Guard Endorsement, when it can be obtained;
- Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land-use law would result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs to rebuild after a covered loss event occurs. The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction. The endorsement is not required if it is not applicable or the coverage is not obtainable in the insurance market available to the association; and
- Boiler and Machinery/Equipment Breakdown Endorsement, if the project has central heating or cooling. This endorsement should provide for the insurer's minimum liability per accident to at least equal the lesser of \$2 million or the insurable value of the building(s) housing the boiler or machinery. In lieu of obtaining this as an endorsement to the commercial package policy, the project may purchase separate standalone boiler and machinery coverage.

(h) Special Requirements for Condo Projects

Additional insurance policy requirements for condo projects are as follows:

- Any Insurance Trust Agreement is recognized.
- The right of subrogation against unit owners is waived.
- The insurance is not prejudiced by any acts or omissions of individual unit owners that are not under the control of HOA.
- The policy must be primary, even if a unit owner has other insurance that covers the same loss.

(i) Named Insured

The table below provides the requirements regarding the name of the insured entity.

Coverage Type	Requirement for Named Insured
Condo projects	The policy must show the HOA as the named insured. If the condo's legal documents permit it, the policy can specify an authorized representative of the HOA, including its insurance trustee, as the named insured. The "loss payable" clause should show the HOA or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage loan.
PUD common areas	The policy must show the HOA as the named insured.

(j) Notices of Changes or Cancellation

The table below provides the notification requirements for notices of policy changes or cancellations.

Project Type	Requirement
Condo	The policy must require the insurer to notify in writing the HOA (or insurance trustee) and each first mortgage loan holder named in the mortgagee clause at least 10 days before it cancels or substantially changes a condo project's coverage.

A1002 Mortgage Insurance

If primary mortgage insurance is required by the Loan Program, as stated in our Product Matrices. Client must obtain a mortgage insurance commitment certificate from an Approved Contract Underwriter that is acceptable to NewRez. The primary mortgage insurance coverage must transfer to Client and its successors and assigns and must protect the interest of NewRez. Mortgage insurance coverage must not be subject to exclusions beyond those stated in the mortgage insurer's master policy.

An Approved Contract Underwriter must have, at a minimum, a claims paying ability acceptable to Standard and Poor's Corporation for AA-Rated mortgage pass-through certificates and to Moody's Investors Service for an A-Rated mortgage pass-through certificate. The Approved Contract Underwriter currently meeting these requirements are listed on the Approved Contract Underwriters.

It is Client's responsibility to monitor the ratings of these mortgage insurers. In the event the ratings are downgraded prior to the Funding Date or Substitution Date, Client must obtain mortgage insurance from another mortgage insurer listed on the Approved Contract Underwriters who meets the claims paying ability requirement of NewRez.

An Escrow/Impound account must be established at closing for monthly payment of future premiums, unless a single premium was paid in full at closing or unless Client obtained lender-paid mortgage insurance.

A. Mortgage Insurance Premiums

NewRez accepts mortgage insurance premiums scheduled to be paid on a monthly basis.

B. Single Premium Mortgage Insurance

NewRez accepts mortgage insurance premiums paid as a single premium. When financing the cost of the premium in the Loan amount, the entire Loan amount (inclusive of premium) is used to calculate the LTV ratio. The LTV cannot exceed the maximum LTV allowed for the Loan Program.

C. Lender Paid Mortgage Insurance (LPMI)

Lender paid mortgage insurance is eligible with the Conforming Programs only under the following circumstances:

- Single Premium only (Loans closed by other lenders and purchased by NewRez only)
- No other LPMI options eligible

D. Mortgage Insurance Coverage Requirements

When required, mortgage insurance must be obtained from the companies listed on the Approved Contract Underwriters.

E. Mortgage Insurance Requirements for Loans Originated in New York

The value used in determining the Loan-to-Value ratio is generally the lower of the sale price or the current appraised value of the property securing the Loan. Under New York law, Approved Contract Underwriters may not issue mortgage insurance if the mortgage amount is less than 80% of the “fair market value” of the real estate. “Fair market value” is not defined (see below). In addition, on a first mortgage loan, a borrower may not be required to pay mortgage insurance premiums once the unpaid Loan balance is 75% or less of the “appraised value” of the real property at the time the Loan was made.

On an exception basis, NewRez will purchase New York Loans with mortgage insurance issued in accordance with New York law. A lender may base its determination of when to require mortgage insurance for a mortgage secured by a property located in New York solely on the “appraised value” of the property—not the lower of the sale price or current appraised value. NewRez will continue to use our standard definition of value to calculate the Loan-to-Value ratio used in determining whether the mortgage satisfies our eligibility criteria based on the Loan-to-Value ratio of the mortgage.

F. Cancellation; Original Borrower

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

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

G. Cancellation; Transfer of Ownership

If the transferee so requests and all of the conditions below are met, mortgage insurance may be canceled following an authorized transfer of ownership of the Mortgaged Premises.

1. The unpaid principal balance of the Loan has been reduced to the Loan-to-Value ratio required within our Product Matrices, at the time the Loan was purchased by NewRez, where value is:
 - The lesser of the Purchase Price at transfer or the appraised value at transfer as estimated by a Client-Approved appraiser OR

- If the Mortgaged Premises were not reappraised at the time of transfer or the value has declined, the lesser of the Purchase Price at transfer or the value of the Mortgaged Premises as estimated by a Client-Approved appraiser, using the applicable appraisal form, within 60 days of the request for cancellation of insurance
- 2. The transferee's monthly installment of principal, interest, and Escrow/Impound was never more than 30 days past due for the 12 months preceding the date insurance cancellation is requested.

This satisfactory payment record requirement is not applicable if insurance cancellation is requested at the time of transfer. A shorter period of satisfactory payments is acceptable if it is shorter than the period between the transfer date and the date insurance cancellation is requested.

- 3. There was no other default under the terms of the Loan at any time during the applicable period stated in clause (b) above, provided this requirement is not applicable if insurance cancellation is requested at the time of transfer.

H. Cancellation; Appraisal Fee

Any applicable appraisal fee incurred to determine the appropriateness of mortgage insurance coverage cancellation may be charged to the borrower.

I. Cancellation; Adjustment and Notice

Upon cancellation of mortgage insurance:

- The collection of related premiums must be discontinued
- Necessary adjustments to the borrower's Escrow/Impound account and the Escrow/Impounds portion of the monthly installment amount must be made
- The borrower must be advised, in writing, of all such adjustments

J. Cancellation; Disclosure of Terms and Conditions

Client must disclose to the borrower, in writing, the terms, and conditions that must be met prior to the primary mortgage insurance being eligible for cancellation. A copy of this disclosure must be retained in the loan file as a permanent record in order to ensure adherence to the mortgage insurance requirements in effect at the time the loan was purchased by NewRez.

A1003 Earthquake Insurance

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

Mortgage Clause; Endorsement

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

A1004 Lava Zone Insurance

The following two zones have been identified as particularly hazardous:

- Zone #1, which consists of the summit areas and active parts of the rift zones of Kilauea and Mauna Loa.

- Zone #2, which consists of areas adjacent to (and downslope from) the active rift zones of Kilauea and Mauna.

Properties located in Lava Zone 1 or Lava Zone 2 are ineligible for purchase.

A1005 Mine Subsidence Insurance (Pennsylvania only)

Mine subsidence insurance is required for Pennsylvania Loans if RFG has notice that the property is undermined (tunnels). If notification has been received or if it has been determined that the property is undermined, Mine Subsidence Insurance is required.

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

A. Property Undermining Determination

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

- Purchase Contract
- Appraisal
- Title Commitment

B. Coverage

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

C. Evidence of Insurance

Evidence of Mine Subsidence Insurance may be any the following:

- An original Hazard Insurance Policy that includes Mine Subsidence Insurance
- If the Loan is a refinance, the original or a photocopy of an existing Mine Subsidence Insurance Policy from the Pennsylvania Department of Environmental Protection and an Assignment of Interest Endorsement form
- If the property is located in the Anthracite (hard coal) Region, an Assignment of Interest Endorsement form and a town map which has been marked with an X to show the location of the property
- If the property is located in the Bituminous (soft coal) Region, an Assignment

A1006 Flood Insurance**A. General Flood Insurance Requirements****1. Standard Flood Hazard Determination (SFHD)**

Each Loan delivered for purchase must include the Federal Emergency Management Agency (FEMA) Standard Flood Hazard Determination (FEMA Form 086-0-32) used in determining whether any of the improvements for a subject property are located within an identified "Special Flood Hazard Area" (SFHA). SFHAs are shaded on a Flood Hazard Boundary Map and designated on a Flood Insurance Rate Map. These areas are designated by the following symbols: A, AE, AH, AO, AR, A1-30, A-99, V, VE, VO, and V1-30.

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

2. Federally Available Flood Insurance

Flood insurance is generally required if any building, dwelling, structure, or improvement is located within an SFHA that has mandated flood insurance purchase requirements under the National Flood Insurance Program (NFIP) (unless the mortgage is an FHA Section 240 mortgage). Except as provided in Section 12, if flood insurance is not available because a community does not participate in the National Flood Insurance Program (NFIP), NewRez will not purchase Loans secured by properties located in those areas.

3. Location of Property Within the SFHA**a. Multiple Buildings**

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

b. Principal Structure Located Within an SFHA

Flood insurance is required if any part of the principal structure is located within an SFHA. Flood insurance on detached residential buildings, located within an SFHA, is required if they serve as part of the security for the Loan.

c. Principal Structure Not Located Within an SFHA

Even if the principal structure is not located in an SFHA, if there are detached residential buildings affixed to the site that are located in an SFHA and serve as part of the security for the Loan, a flood insurance policy is required for each detached residential building.

d. **Detached Garages**

Evidence of flood insurance coverage will not be required for a detached garage as long as it is not being used for a residential purpose, even if given value in the transaction.

e. **Waivers**

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

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

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

We recommend that the borrower receive the following additional information, or substantially similar information, either on the Notice of Special Flood Hazards or on a separate notice acknowledged by the borrower.

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

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

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

5. **Acceptable Policies**

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

Private Flood Insurance Requirements

When private flood insurance coverage is being considered in lieu of an NFIP policy, Clients must comply with FEMA’s criteria (described below) for selection of the private insurer and the form of coverage.

A private flood insurance policy that meets *either* of the following is required:

1. Private flood insurance policy documentation that reflects a private placement flood insurance endorsement with the following language or substantially similar language:

Important Notice to Mortgagees

To assure compliance with Federal Mandatory Purchase of Flood Insurance laws please note the PRIVATE PLACEMENT FLOOD INSURANCE ENDORSEMENT contained under “Endorsements Section” of this certificate which states: “It is understood and agreed that, where required, this insurance shall be fully compliant with Federal Law, as regards Private Placement Insurance, applicable to the National Flood Insurance Program.”

- Or, effective on or after 7/1/2019, contain the following policy statement: “This policy meets the definition of private flood insurance contained in 42 U.S.C. 4012a(b)(7) and the corresponding regulation.”
- 2. If (a) there is no endorsement with the same or substantially similar language and/or (b) on or after 7/1/2019 the above policy statement is not present on the policy, then the private flood insurance policy must be reviewed to determine whether it meets all five of the FEMA criteria described below and, thus, conforms to the mandatory flood insurance purchase requirements of the National Flood Insurance Reform Act of 1994 (“1994 Reform Act”). To the extent that the private policy differs from the NFIP Standard Flood Insurance Policy (SFIP), the differences must be carefully examined before the policy is accepted as sufficient protection under the law. **Each of the five requirements must be collected and documented in the loan file.**
 - 1. **Licensure** - The insurer must be licensed, admitted, or otherwise approved to do business in the jurisdiction where the building is located, by the insurance regulator of that jurisdiction.
 - 2. **Requirement of 45-Day Cancellation/ Non-Renewal Notice** - The private flood insurance policy should include a requirement for the insurer to give 45 days’ written notice of cancellation or non-renewal to the insured with respect to the flood insurance coverage. The policy should also state that, to be effective, such notice must be mailed to both the insured and the lender or Federal agency lender, and must include information about the availability of flood insurance coverage under the NFIP. The policy should be as restrictive in its cancellation provisions as the SFIP.
 - 3. **Breadth of Policy Coverage** - The policy must guarantee that the flood insurance coverage, considering deductibles, exclusions, and conditions offered by the insurer, is at least as broad as the coverage under the SFIP.
 - 4. **Strength of Mortgage Interest Clause** - Lenders must ensure that a mortgage interest clause similar to that contained in the General Conditions section of the SFIP is contained in the policy.
 - 5. **Legal Recourse** - The policy must contain a provision that the insured must file suit within 1 year after the date of written denial of all or part of the claim.

6. Mortgagee Clause

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

NewRez Financial LLC
Its Affiliates and/or Assigns
PO Box 979282
Miami, FL 33197

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

7. Policy Term

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

8. Date of Determination

The Date of Determination field on the SFHD must be a date that is no more than 120 days before the Note Date of the Mortgage or; if applicable, the Note Date of the refinance Mortgage.

9. Policy Effective Date

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

10. Evidence of Insurance

At closing, the borrower must provide evidence that the property is covered by flood insurance in one of the following forms:

- Flood Insurance Policy;
- Declarations Page; or
- Copy of the Flood Insurance Application with a paid receipt for the first year's premium

11. Escrow Policy

Effective for loans closed on or after January 1, 2016, NewRez will require that flood insurance premiums be escrowed, in compliance with the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters).

Escrows for flood insurance will not be required for loans secured by property that is part of a condominium, cooperative, or other project development, if the property is covered by flood insurance provided by and paid for, as a common expense, by the condominium association, cooperative, homeowners association, or other applicable group.

Correspondents should provide evidence that any flood insurance premiums associated with mortgage transactions are escrowed prior to purchase, regardless of whether any other funds associated with the loan are escrowed (i.e., taxes, homeowners insurance premiums, or any other fees or charges).

Loans with a closing date on or after January 1, 2016 where flood insurance is required and no flood escrow has been established will not be eligible for purchase.

12. Flood Insurance Coverage

If a first mortgage is secured by a unit in an attached condo or PUD project and any part of the improvements are in an SFHA, the lender must verify that the HOA maintains a master or blanket policy of flood insurance and provides for premiums to be paid as a common expense.

Project Type	Coverage Requirements
Condo	Individual condo units: Stand-alone flood insurance dwelling policies for an attached individual condo unit are not acceptable. A master condo flood insurance policy must be maintained by the HOA, subject to the

coverage requirements below. (For detached units, refer to the requirements described in Coverage for First Mortgages above.)

Condo projects:

Verification that the HOA maintains a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for each building that is located in an SFHA is required. The policy must cover all of the common elements and property (including machinery and equipment that are part of the building), as well as each of the individual units in the building.

The master flood insurance policy must be at least equal to the lower of:

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

If the condo project master policy meets the minimum coverage requirements above but does not meet the one- to four-unit coverage requirements (described in Coverage for First Mortgages), a supplemental policy may be maintained by the unit owner for the difference.

The contents coverage should equal 100% of the insurable value of all contents owned in common by association members.

If the condo project has no master flood insurance policy or if the master flood insurance policy does not meet the requirements above, mortgages securing units in that project are not eligible for delivery to Fannie Mae.

Note: DU Refi Plus and Refi Plus loans secured by units in a condo project are not required to meet the flood insurance requirements for master flood insurance policies stated in this section. Rather, if no master policy is in place, a stand-alone dwelling policy may be maintained by the unit owner to meet the full one- to four-unit requirements. If the master policy is deficient (by any amount), a supplemental policy may be maintained by the unit owner for the difference between the master policy and the one- to four-unit requirements.

PUD

Individual PUD units:

NewRez requires the same flood insurance for individual PUD units that is required for other one- to four-unit properties (described in Coverage for First Mortgages above). A stand-alone dwelling policy may be maintained to meet these requirements.

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

When the lender (or a flood zone determination company) determines that a property is located in the Coastal Barrier Resources System (CBRS) or in an Otherwise Protected Area (OPA), flood insurance is required and the lender must verify that

the flood insurance policy meets NewRez's requirements. A mortgage in a non-participating CBRS or OPA community is eligible only if the unit is not located in an SFHA and will require flood insurance to be eligible for delivery to Fannie Mae.

NewRez will accept flood insurance policies from either private insurance carriers or from the NFIP. The amount of flood insurance required must meet NewRez's minimum coverage requirements for the appropriate property type. The carrier must meet NewRez's minimum rating requirements for insurance underwriters.

14. Maximum Allowable Deductibles

Deductibles for master project and individual dwelling flood insurance policies must meet NFIP requirements for the type of improvements insured unless state law requires a higher maximum deductible amount. This requirement applies to both NFIP and private policies.

A1007 Liability Insurance for PUDs and Condominiums

A. Type of Coverage

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

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

B. Coverage Amount

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

C. Special Endorsements

The insurance policy must contain a "severability of interest" endorsement, precluding the insurer from denying the claim of a condominium unit owner because of negligent acts of the homeowners association or other unit owners. If the policy does not include "severability of interest" in its terms, NewRez requires a specific endorsement to prevent the insurer from rejecting a unit owner's claim because of negligent acts of the homeowners association or of other unit owners.

D. Cancellation/Modification Requirements

The policy must provide for at least ten days written notice to the homeowners association before the insurer can cancel or substantially modify it.

A1008 Fidelity / Crime Insurance**A. Projects Requiring Fidelity/Crime Insurance**

Fidelity/crime insurance is required for condominium projects consisting of more than 20 units, with the exceptions noted below in Coverage Amount.

B. Minimum Property Insurance Types and Amounts**1. Type of Coverage**

The homeowners' association must maintain a blanket fidelity/crime or employee dishonesty insurance policy covering losses resulting from dishonest or fraudulent acts committed by the association's directors, managers, trustees, employees or volunteers responsible for handling funds belonging to or administered by the homeowners' association. The policy must provide coverage for anyone who either handles or is responsible for funds that the homeowners' association holds or administers, including coverage for a management agent, whether or not that individual receives compensation for services.

DU & Manually Underwritten Loans

A management agent that handles funds for the homeowners' association should additionally be covered by its own fidelity/crime insurance policy.

LPA

A management agent that handles funds for the homeowners' association should additionally be covered by its own fidelity/crime insurance policy, which must provide the same coverage required of the homeowners' association.

If a condominium project is located in a state that requires the homeowners' association to maintain fidelity/crime or employee dishonesty insurance on terms different from NewRez's, NewRez will accept those requirements in place of its own.

2. Coverage Amount

The homeowners' association policy must cover the maximum funds that are in the custody of the homeowners' association or its management agent at any time while the policy is in force. Fidelity/crime insurance is not required if the maximum estimated funds are less than or equal to \$5000.

Coverage must equal the maximum amount of funds held by the homeowners' association at any one time while the policy is in force. A lower coverage limit is acceptable if the project's legal documents require the homeowners' association and any management firm to adhere to certain financial controls. However, in such case, the coverage limit must at least equal the sum of three months of assessments on all units in the condominium project unless the calculated amount is less than or equal to \$5000, in which case fidelity/crime insurance is not required. The financial controls must include at least one of the following:

- The condominium homeowners' association or its management firm maintains separate accounts for the operating budget and the reserve fund. The depository institution in which funds are deposited sends copies of the monthly account statements directly to the association.

- Separate records and accounts are maintained for each condominium homeowners' association or other community association using the management firm's services. The management firm does not have the authority to draw checks on or to transfer funds from the reserve fund of the condominium owners association.
- Two or more members of the board of directors must sign any checks drawn on the reserve account.

C. Name of Insured

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

D. Cancellation/Modification Requirements

The policy must provide that the insurer will notify the homeowners' association or insurance trustee at least 10 days before cancellation or substantial modification of the policy.

A1009 Title Insurance

Loans purchased by NewRez must be covered by a mortgagee title insurance policy or other approved form of title evidence, which has been paid in full, is valid and binding, and remains in full force and effect. Title Insurance must comply with the following requirements:

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

A. Title Insurer

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

B. Form

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

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

1. Client has examined the title insurer's master policy documents and, based on this review and certifications from the title insurer, Client has confirmed that the master policy provides at least the amount and scope of coverage given by the ALTA standard policy and that the master policy otherwise meets the requirements of this Title Insurance section.
2. Client has obtained from the title insurer a fully executed master title insurance policy issued in Client's name.
3. Master policy and certificates of title have been approved by the applicable state or (comparable) regulatory authorities and that the use of the master policy and certificates of title insurance will be valid in each jurisdiction concerned.
4. Client will cause the title insurer to replace the title insurance certificate with a full individual ALTA policy within ten days' notice from NewRez.

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

For a Loan secured by Mortgaged Premises located in the State of Iowa, NewRez will accept an attorney's certificate of title in lieu of a title insurance policy, provided all the following conditions are met:

1. The certificate must be addressed to Client and all of its successors in interest as evidenced by the Note and Security Instrument.
2. The certificate must be given by an attorney licensed to practice law in the State of Iowa, who is insured against malpractice for rendering certificates of title in an amount not less than the amount commonly written in the State of Iowa, taking into account the number of these certificates rendered by the attorney.
3. The certificate must state: "We (I) agree to indemnify you and your successors in interest in the Security Instrument opined hereto, to the full extent of any loss attributable to a breach of our (my) duty to exercise reasonable care and skill in the examination of the title and the giving of this opinion."
4. The certificate must not be subject to any exceptions, other than those permitted under the following Title Exceptions and Title Exception Warranties sections.

C. Beneficiary

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

D. Effective Date

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

E. Lien Requirements

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

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

F. Acceptable Minimum Coverage

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

G. Exceptions

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

H. Required Endorsements

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

- ALTA Endorsement form 4 (CLTA 115.1): Condominium Endorsement is required for all Loans secured by a condominium unit.
- ALTA Endorsement form 5 (CLTA 115.2): PUD Endorsement is required for all Loans secured by a PUD unit.
- ALTA Endorsement form 6.0 (CLTA 11.5) or 6.1 (CLTA 111.6) or 6.2 (CLTA 111.8): Variable Rate Mortgage Endorsement is required for all ARM Loans. ALTA form 6.0 or 6.1 is required for all ARM Loans that do not provide for negative amortization. ALTA form 6.2 is required for ARM Loans that do provide for negative amortization.
- Balloon Payment Loan Endorsement is required for all Loans secured with a balloon option.
- CLTA Endorsement form 100 and form 116: Comprehensive Endorsement and a Location Endorsement are required for all Loans in areas where surveys are not customary.
- CLTA Endorsement form 110.5: Modification of Mortgage Endorsement (bring-down endorsement) is required for all converted ARM Loans and all Loans that have had the terms of the Security Instrument modified.

I. Title Exceptions and Impediments

1. Title Exceptions

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

2. Minor Impediments to Title

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

- Customary public utility subsurface easements, the location of which are fixed and can be verified, providing that the exercise of rights of easement will not interfere with the use and enjoyment of any present improvements on the Mortgaged Premises or proposed improvements upon which the appraisal or Loan is based.
- Above-Surface public utility easements that extend along one or more property lines for distribution purposes or along the rear property line for drainage, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the Mortgaged Premises itself.
- Any encroachment on an easement for public utilities by a garage or any other improvement, except those improvements that are attached to, or are a portion of the main dwelling structure, provided this encroachment does not interfere with the use of the easement or exercise of rights or repair and maintenance.
- Cost, minimum dwelling size, use, building materials or setback restrictions as long as its violation will not result in the forfeiture or reversion of the title or lien of any kind for damages, or have an adverse effect on the fair market value of the Mortgaged Premises.

- Mutual easement agreements that establish joint driveways or Party Walls constructed on the Mortgaged Premises and on an adjoining property, as long as all future owners have unlimited and unrestricted use of them.
- Encroachments of one foot or less on adjoining property by eaves or other overhanging projections or by driveways, as long as there is at least a ten foot clearance between the buildings on the Mortgaged Premises and the property affected by the encroachments.
- Encroachments on the Mortgaged Premises by improvements on adjoining property where these encroachments :
 - extend one foot or less over the property line of the Mortgaged Premises and
 - have a total area of 50 square feet or less and
 - do not touch any buildings and
 - do not interfere with the use of any improvements on the Mortgaged Premises or the use of the Mortgaged Premises not occupied by improvements.
- Encroachments on adjoining properties by hedges or removable fences.
- Outstanding oil, water, or mineral rights customarily waived by other lenders are acceptable, as long as they will not result in damage to the Mortgaged Premises or impair its use for residential purposes.
- Liens for real estate or ad valorem taxes and assessments not yet due and payable.

3. Title Defect - Unexpired Redemption Periods

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

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

J. Title Exception Warranties

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

To support the warranty stated above, NewRez reserves the right, upon request, to receive from Client:

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

A1010 Title Search/Insurance for Second Mortgage Programs

A title policy, binder, or title search is required to determine that the Second Mortgage Program Loan Security Instrument creates a valid second lien subordinate only to the lien of the holder of the first mortgage Loan on the Mortgaged Premises. See documentation requirements in the Title Binder/Search and Title Insurance Policy sections in [Chapter 12B](#) Delivery of this Client Guide.

A1011 Survey Requirements**A. Plat of Survey or Improvement Survey**

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

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

B. Variations in Length of Property Lines

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

Chapter 10B Loan Documents & Notes

This section describes Loan Document and Note requirements that apply to all NewRez Loan Programs. Generally, eligibility policies that vary from one Loan Program to another are described in our Product Matrices.

For a complete list of Loan Documents required for purchase, see [Chapter 13](#) of this Client Guide. This chapter provides additional information on certain required Loan Documents.

B1000 Note Requirements

A. Note Form

1. First Mortgages

If a Fannie Mae or Freddie Mac Uniform Note is available for the applicable product type, Client must use the most recent version Single-Family Fannie Mae or Freddie Mac Uniform Note. Clients may reprint the Uniform Notes on their own letterhead, by computer or in any other way Clients may choose. On loans eligible for sale to Fannie Mae or Freddie Mac, the tagline that identifies the instrument as a Uniform Instrument must remain part of the document and be included on each page. The Multi state Note can be used in most jurisdictions, unless the security property is located in a jurisdiction for which Fannie Mae and Freddie Mac have published a state-specific Note or has indicated that the lender must adapt the Note to include required state-specific language. In these States, Client must make all changes required by Fannie Mae and Freddie Mac.

If a Fannie Mae or Freddie Mac Uniform Note is not available for the applicable product type, Client must use a Note published by NewRez. If NewRez has provided only a Multi-state Note, client must modify the Note to reflect any changes required by state law, including all mandatory state law changes required by Fannie Mae and Freddie Mac.

2. Closed-End Second Mortgages

Client must use a Note that is correct for the applicable mortgage type, lien type, property type, and transaction type. Fannie Mae no longer publishes standard Notes for second mortgages and prior published Fannie Mae second mortgage Notes must not be used unless they have been updated to comply with all applicable laws. Client is responsible for ensuring that Notes comply with all laws applicable to Client and that the Notes are valid and enforceable under state law.

Documents must be created by Digital Documents, Inc. Documents may be available from other document preparation companies that have contract with Digital Docs to receive the documents.

B. Late Charge Provision

The Note for a first mortgage or a closed-end second mortgage must provide for the borrower to pay a 5% (4% for FHA/VA Loans) late charge on any installment that is not received by the 15th day after it is due. If state law does not allow a charge that high, the maximum amount allowed by state law must be used. The late charge must be computed on the principal and interest (P&I) payment only, not on the full monthly payment (PITI).

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

On a home equity line of credit, Client may not alter the late charge provision included on the home equity line of credit Agreement created by MRG, Document Systems, or Digital Docs.

C. Payment Dates

1. First Mortgages

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

2. Closed End Second Mortgages

The first payment date must be more than 30 days, but less than 60 days, from the date of the Note. The following payment dates are not permitted 29th, 30th, and 31st.

B1001 Security Instrument Requirements

A. Security Instrument Form

1. First Mortgages

Client must use the most recent version Single Family Fannie Mae or Freddie Mac first mortgage Uniform Security Instruments. The standard Uniform Security Instruments are not used for Texas Section 50(a)(6) mortgages, Fannie Mae and Freddie Mac have developed special uniform Security Instruments for these mortgages. Clients may reprint the Uniform Security Instruments on their own letterhead, by computer or in any other way Clients may choose. On loans eligible for sale to Fannie Mae or Freddie Mac, the tagline that identifies the instrument as a Uniform Instrument must remain part of the document and be included on each page.

2. Closed-end Second Mortgages

Fannie Mae no longer publishes standard Security Instruments for second mortgages and prior published Fannie Mae second mortgage Security Instruments must not be used unless they have been updated to comply with all applicable laws. The Security Instruments must be similar to the Fannie Mae or Freddie Mac first mortgage Security Instruments with respect to fairness to the borrower and the lender. Client is responsible for ensuring that Security Instruments comply with all laws applicable to Client and that the Security Instruments are valid and enforceable under state law.

B. Riders to the Security Instrument

All Security Instruments must be amended by state-specific Fannie Mae or Freddie Mac Uniform riders as required by Fannie Mae and Freddie Mac or the applicable Uniform state specific Rider. Clients may reprint the Uniform Riders on their own letterhead, by computer or in any other format that Clients may choose. On loans eligible for sale to Fannie Mae or Freddie Mac, the tagline that identifies the instrument as a Uniform Instrument must remain part of the document and be included on each page. See Chapter 11 Prefund Diligence, Section 1108 Security Instrument Riders for information regarding required riders and form numbers.

C. Signatures on Security Instruments

See Chapter 11 Prefund Diligence, Section 1108 for information regarding signatures on the security instrument and riders.

D. Master Form and Short Form Security Instruments

NewRez will accept first mortgage loans with a master form mortgage or deed of trust ("Master Form") and short form mortgage or deed of trust ("Short Form") in the following states:

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

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

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

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

The short form must reference the master form that has been previously recorded and will state the following:

- That the master form instrument was recorded in the county in which the subject mortgage is offered for recording.
- The date when the master form instrument was recorded.
- The book and page where the master form instrument was recorded.
- That a copy of the master form instrument was provided to the borrower executing the security instrument.

B1002 Changes to Required Documents

When NewRez requires Client to use a Fannie Mae or Freddie Mac Uniform Instrument, documents prepared by NewRez, or document prepared by a particular document provider, Client may not change or alter the required Note except when authorized in writing by NewRez.

However, Client may amend the Note (or attach an additional rider to the Note) to include a Prepayment penalty in accordance with the responsible lending requirements in the Representations and Warranties Concerning Client section in Chapter 1C, Representations, Warranties, & Covenants of this Client Guide. If Client amends a Fannie Mae or Freddie Mac uniform Note to include a Prepayment penalty, Client must comply with all Fannie Mae or Freddie Mac requirements regarding alteration of documents. For example, the tagline identifying it as a Fannie Mae document or a Fannie Mae or Freddie Mac uniform document may be retained as long as the document includes a second tagline that indicates the name of the entity (the lender or a third party) that modified the document and the date of the modification.

B1003 Certification and Authorization

Each loan file submitted for purchase must contain a Certification and Authorization form signed by the borrowers. Client may develop its own Certification and Authorization form, which must comply with all applicable law and include the following information.

1. Authorization for the Lender and its successors and assigns to do the following:
 - Order one or more credit reports

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

B1004 Tax Information Authorization Form (IRS Form 4506-T)

For all loans, with the exception of VA IRRRLs and FHA Non-Credit Qualifying Streamlines, Client must obtain a signed and dated Tax Information Authorization form (IRS form 4506-T) authorizing Client or its assigns to obtain income information at closing for all borrowers. For Correspondent Prior Approvals, loans submitted for underwriting must contain a completed, signed, dated, and unexpired IRS form 4506-T for all borrowers whose income is used to qualify.

The IRS form 4506-T must be processed and tax transcripts obtained to validate against the borrower's tax returns and/or W-2s for the two- year period preceding the loan application date. Evaluate the information provided by the IRS on Form 4506-T during the underwriting process. Significant differences must be reviewed, resolved and detailed comments regarding the resolution documented on the Transmittal Summary (form 1008) by the underwriter.

Validated tax returns must be included in the initial submission package when submitting the loan to NewRez must be included in the loan package.

In some circumstances and after completion of the loan review, NewRez may require the Client to obtain a signed RIS Form 4506-T with Box 8 checked to obtain Form W-2 or Form 1099 series transcripts. This may be required when the borrower was not required to file tax returns.

Additionally, the borrowers must sign a new IRS form 4506-T at closing.

Chapter 11 Prefund Diligence

This chapter contains documentation requirements for the Legal, Servicing, and Collateral review completed on loans purchased by NewRez.

- I. **Legal, Servicing and Compliance Review**
- II. **Review of Credit and Collateral Documents**

Section I. Legal, Servicing and Compliance Review

1100 Note

General

- An Original Note is always required.
- NewRez does not accept lost note affidavits.
- An Original Note with white out will not be accepted, and the borrower must initial any cross outs on Note.
- Closing Date needs match closing date on the Security Instrument.
- If the Late Charge is incorrect a new Note is required.
- Property Address must match the Title and Legal Description.
 - Current State License is needed in order to lock and fund – please see details in Chapter 3.
- The Note must have a Lender name filled in and cannot reference NewRez.
- Loan Amount, Interest Rate and P&I must be correct and match other documents in file.
- First Payment on Note must be the first of the month.
 - If First Payment Date to NewRez is 3 or more payments from 1st Payment Due Date on Note a Pay History is required – please see chapter 10 for details on pay history requirements.
- Maturity Date must match the term of the loan.
- Note form must be correct according to the product & state. If the form is incorrect, a new Note is required.
 - Refer to <http://www.efanniemae.com> for state and product specific note forms.
- Note must be signed by all qualifying borrowers.
- If closed in the name of a Trust, borrower must sign individually and as Trustee. The complete name of the Trust is required as part of the signature line on the Note.
- If loan is a FHA Loan case number is required to be on the Note.
- On all loans eligible for sale to Fannie Mae or Freddie Mac, the tagline that identifies the instrument as a Uniform Instrument must remain part of the document and be included on each page.
 - The tagline requirements do not apply to FHA or VA loans.

1101 - Hybrid E Closings

The Correspondent channel permits Hybrid E-closings on Conventional Conforming loans and Government loans (FHA, VA and USDA). In order to be eligible for purchase, the Note, Mortgage, and Non-MERS loans-original assignment (if applicable) and the SSA 89 must contain a wet signature. All other documents in the closing package can be e-signed. Proof of E-Consent for all borrowers, and non-borrowing spouses signing closing documents, must be included in the loan file when submitting for purchase. We do not permit the following:

- Texas Equity Section 50 (a)(6)
- New York Consolidation, Extension and Modification Agreement

1102 Corrective Note

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

1103 Pre-Signing of Mortgage Documents

On Purchase and Rescindable transactions, the closing loan documents cannot be signed prior to the computer generated date on the documents. The computer generated document date remains the same. The notarization (of the security instrument and other documents that require notarization), however, must match the date the documents are signed by the borrower.

On Rescindable transactions, the 3 day recession period begins following consummation, delivery of the Notice of Right to Cancel, or delivery of all material disclosures, whichever occurs last. The rescission period begins the day the borrowers sign and date the Notice of Right to Cancel.

1104 Allonges/Endorsements to the Note

- Must have complete Endorsement chain ending with NewRez LLC.
- Correspondent name on the face of the note must be the exact name of the Correspondent in the endorsement language.
- DBA's - whenever the lender's name on the note does not match the lender's name on the endorsement exactly, NewRez will accept a Corporate Name Trade Certification to purchase the loan.
- Officer's Name and Title must be typed under signature line of Allonge/Endorsement.
- Allonge is an attachment to the note with the endorsement information. It must include the following loan specific information:
 - Loan number
 - Borrower(s) name(s)
 - Property address
 - Note/loan Date
 - Note/loan amount
- If you sign a Corporate Resolution with NewRez, NewRez will have the ability to make any corrections to endorsements from you the Correspondent to NewRez prior to purchase on your behalf.
- Example of an endorsement:

Pay to the order of NewRez, LLC without recourse

_____ (Correspondent Name)

By _____ (Signature of Officer)

Name: _____ (Printed)

Title: _____ (Printed)

1105 Power of Attorney

Under certain circumstances, applicants and borrowers may be able to use powers of attorney (POAs) to sign certain loan documents. As described in more detail below, there are several types of POAs and different restrictions or limitations on their use, depending upon State laws, investor requirements, loan types, title company requirements, and lender policies.

A. Powers of Attorney

Generally speaking, a POA is an instrument that authorizes one person (the agent) to act as agent or attorney-in-fact for another person (the principal). A POA is generally used when the principal is unavailable to conduct his/her business in person, not as a matter of convenience. A POA does not survive the death of the borrower. Some common POAs are:

1. **General POA**

A POA that authorizes an agent to transact business for the principal.

2. **Durable POA**

A POA that authorizes an agent to transact business for the principal and remains in effect during the principal's incompetency, disability, or incapacity.

3. **Specific POA**

A POA that limits the authority of an agent to transact business for the principal to only a specific matter.

4. **Military POA**

A POA issued through the United States Judge Advocate General (JAG) Office. It may be general, durable, or specific.

B. Restrictions and Limitations

1. **State Laws**

Some States have statutes that govern the form of POA, so POAs executed in those States should comply with the applicable law. Regardless of whether the correct form is used, POAs cannot be used (a) when the property to be used to secure the loan is held in a trust or (b) in connection with a **Texas Section 50(a)(6) loan**.

2. **Investor Requirements**

- a. **Fannie Mae**

The Fannie Mae Selling Guide contains numerous provisions relating to POAs and should be consulted for the latest information. Those provisions are summarized below.

Generally, the POA must be notarized and, unless otherwise required by applicable law, must reference the address of the subject property. The name(s) on the POA must match the name(s) on the loan documents, and it must have been dated such that it was valid at the time the loan document(s) was executed. If applicable law requires an original POA for enforcement or foreclosure purposes, an original POA must be forwarded to the document custodian.

A written statement that explains the circumstances of the use of the POA must be included in the loan file. Such statement must be provided to document custodian with the power of attorney.

I. **Loan Documents**

As a general rule, the **original loan application** cannot be signed by an agent under a POA. Notwithstanding that restriction, the **original and the final loan applications** may be executed using a POA if either of the following applies:

- i. The borrower is on military service with the US armed forces serving outside the US or deployed aboard a US vessel, as long as the POA:
 - Expressly states an intention to secure a loan on a specific property, or
 - Complies with the requirements under the VA Lender's Handbook relating to powers of attorney for VA-insured loans; or
- ii. Such use is required of lender by applicable law.

As a general rule, the **security instrument and/or note** can be signed by an agent under a POA as long as the lender obtains a copy of the POA. Notwithstanding that rule, a POA cannot be used to execute the **security instrument or note** if either or both of the following applies:

- iii. No other borrower executes such loan document in person in the presence of a notary public. Exceptions: a POA may be used to sign such loan document for each borrower as long as the agent under the POA is either the borrower's attorney-at-law or the borrower's relative;
- iv. The transaction is a cash-out refinance.

II. **Ineligible Agents under a POA**

Except as otherwise required by applicable law or unless he/she is the borrower's relative, none of the following persons may sign the **security instrument or note** as agent under a POA:

- The lender;
- The lender's affiliate;
- Any employee of the lender or the lender's affiliate;
- The loan originator;
- The employer of the loan originator or any employee of that employer;
- The title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate; or
- Any real estate agent with a financial interest in the transaction or any person affiliated with such real estate agent.

Notwithstanding the above, in a refinance transaction, an individual who would otherwise be prohibited from signing the security instrument or note as agent under a POA may do so if all the following conditions are met:

- The agent is not an employee of the lender;
- The POA expressly states an intention to secure a loan not to exceed a stated amount from a named lender on a specific property;
- The POA expressly authorizes the agent to execute the required loan documents on behalf of a borrower only if the borrower has, to the satisfaction of the agent in a recorded, interactive session conducted via the Internet, both:
 - Confirmed his or her identity;
 - Reaffirmed, after an opportunity to review the required loan documents, his or her agreement to the terms and conditions of the required loan documents evidencing such transaction and to the execution of such required loan by such agent.
- The lender must produce, at Fannie Mae's request at any time during the term of the related loan, within a commercially reasonable time following such request and without additional expense to Fannie Mae, a recording and other documentary media memorializing the entirety of the interactive session

b. Freddie Mac

The Freddie Mac Single-Family Seller/Servicer Guide contains several provisions relating to POAs and should be consulted for the latest information. Those provisions are summarized below.

Freddie Mac will permit the Note, the Security Instrument and other closing documents to be executed by an agent acting under a POA in the following circumstances:

- In a hardship or emergency situation; and
- When a Seller determines that applicable law requires use of a POA.

The person acting as agent should have a familial, personal or fiduciary relationship with the borrower, and should not be employed by or affiliated with any party to the loan transaction other than the borrower. If a POA is used, the mortgage must be covered by a title insurance policy in accordance with Section 39.1 of the Seller/Servicer Guide.

A written statement that explains the circumstances of the use of the POA must be included in the loan file. Such statement must be provided to document custodian with the power of attorney.

If a POA is used, the original POA must be attached to and delivered with the Note to the document custodian, unless it is recorded with the Security Instrument. If the original POA is sent for recordation with the Security Instrument, a copy of the POA must be delivered with the Note. When the POA is returned from the recording office, either the original or a copy with recording information must be delivered to the document custodian and filed with the Note.

c. Jumbo

Follow Fannie Mae requirements.

d. **Alt Doc - No Income Verified Assets (NIVA) Documentation Type**

Not permitted

e. **Ginnie Mae (FHA)**

The HUD Handbook, sections 4155.1 and 4155.2, contains numerous provisions relating to POAs and should be consulted for the latest information.

An agent under a POA may execute the following:

- Initial Documents except for the Application and Purchase Contract/Agreement of Sale
- Closing Documents

The initial application may not be executed by using a POA (i.e., it must be signed by all applicants); except for the following conditions:

- i. **Military Personnel:** POA may be used for military personnel on overseas duty or on an unaccompanied tour. Obtain the service person's signature on the application by mail or fax machine.
- ii. **Incapacitated Applicants:** POA may be used for incapacitated applicants who are unable to sign the mortgage application.
 - Obtain evidence that the signer has authority to purchase the property and to obligate the applicant. Acceptable evidence includes a durable power of attorney specifically designed to survive incapacity and avoid the need for court proceedings
 - The incapacitated individual must occupy the property to be insured (except on eligible investment property)

POA may be used for closing documents, including page four of the Addendum to the Uniform Residential Loan Application (URLA) and the final Uniform Residential Loan Application (URLA) if it is signed at closing.

f. **Ginnie Mae (VA)**

The VA Lender's Handbook contains several provisions relating to POAs and should be consulted for the latest information.

It is permissible to allow a veteran to use a POA to execute any documents necessary to obtain a VA guaranteed loan. This enables active duty service persons stationed overseas, and other veterans who cannot be present to execute loan documents.

The veteran must execute a general or specific POA which is valid and legally adequate. The veteran's attorney-in-fact must use this POA to apply for a Certificate of Eligibility and initiate processing of a loan on behalf of the veteran. A military POA is considered a general POA and is only valid during the ACDM's period of deployment, not to exceed one year.

To complete the loan transaction using an attorney-in-fact, ensure that the general or specific POA complies with state law to the extent that:

- The mortgage can be legally enforced in that jurisdiction, and

- Clear title can be conveyed in the event of foreclosure.

To complete the loan transaction using an attorney-in-fact, VA also requires the Veteran's written consent to the specifics of the transaction either through a general POA or a specific POA.

- General POA: The veteran's signature on both the sales contract and the URLA, as long as the veteran's intention to obtain a VA loan for the subject property is expressed somewhere in those documents, or
- Specific POA: A specific power of attorney or other document(s) signed by the veteran, which encompasses the following:
 - Entitlement—A clear intention to use all or a specified amount of entitlement
 - Purpose—A clear intention to obtain a loan for purchase, construction, repair, alteration, improvement, or refinancing
 - Property Identification—Identification of the specific property
 - Price and Terms—The sales price, if applicable, and other relevant terms of the transaction
 - Occupancy—The veteran's intention to occupy the subject property (or other applicable VA occupancy requirement)

Alive and Well Statement

All transaction types require an Alive and Well Statement at time of loan closing. Verify that the veteran is alive and well, and, if on active military duty, not missing in action, and make the following certification:

"The undersigned lender certifies that written evidence in the form of correspondence from the veteran or, if on active military duty, statement of his or her commanding officer (including statement of person authorized to act for said officer), affirmatively indicating that the veteran was alive and, if the veteran is on active military duty, not missing in action status on (date), was examined by the undersigned and that the said date is subsequent to the date the note and security instruments were executed on the veteran's behalf by the attorney-in-fact."

4. Title Company Requirements

The title company may have additional requirements to be considered and clients should contact the title company to review in addition to the above requirements.

5. Lender Policies

NewRez has a specific policy with regard to executing POAs outside of the US. The following categories of individuals are eligible to sign POAs overseas:

- Applicant(s) and/or Co-Applicant(s) on HARP loan transactions.
- Members of the uniformed services of the United States (e.g., Army, Navy, Air Force, Marine Corps., Coast Guard) serving outside the United States ("Overseas Service Members").
- Members of the National Guard under a call to active service and serving outside the United States ("Overseas Guard Members").
- Members of reserve components ordered to report for military service and serving outside the United States ("Overseas Reserves Members").
- United States citizens serving with the forces of a nation with which the United States is allied in the prosecution of a war or military action ("Overseas Citizens").
- State Department employees stationed at an overseas post ("Overseas Employees").

- Overseas Service members, Overseas Guard Members, Overseas Reserves Members, Overseas Citizens, and Overseas Employees are collectively referred to as "Overseas Members."
- Family members of Overseas Members. "Family members" include spouses, domestic partners, and other persons regardless of actual or perceived sexual orientation, gender identity, or marital status.
- If being notarized outside of the US, you must either use 1) the US Embassy or US Consulate, 2) military notary on a base, or 3) a foreign notary that has also been qualified as an Apostille (their stamp must say "Apostille" – it is a special program that operates under the Hague Convention).

Any other POAs signed overseas falling outside of these categories are not permitted.

5. POA Signature Blocks

Example of Acceptable Signature Line for all documents:

<u>Jane Smith as AIF for Chris Jones pursuant to POA dated XX XX, XXXX</u> Chris Jones
<u>Chris Jones by Jane Smith, AIF (or POA)</u> Chris Jones
<u>Chris Jones by Jane Smith, AIF (or POA)</u> Chris Jones, by Jane Smith as his Attorney-in-Fact (or POA)
<u>Jane Smith, Attorney in Fact for Chris Jones</u> Chris Jones by Jane Smith as his Attorney-in-Fact (or POA)
<u>Jane Smith, AIF (or POA)</u> Chris Jones
<u>Chris Jones by Jane Smith*</u> Chris Jones, by Jane Smith as his Attorney-in-Fact (or POA)
<u>Jane Smith*</u> Chris Jones, by Jane Smith as his Attorney-in-Fact (or POA)

Example of an Unacceptable Signature Line:

<u>Jane Smith</u> Chris Jones
<u>Jane Smith</u> Jane Smith, Attorney-in-Fact
<u>Chris Jones</u> Chris Jones by: Jane Smith, Attorney-in-Fact

* While it is not always required to reflect AIF or POA on the signature line, it is strongly preferred.

1106 ARM Loans & Interest Only Loans

- Forms - Refer to ARM Doc Matrix for appropriate Note and ARM Rider form for each product (see Forms Library, Program Disclosures).
- Interest Change Date - Date the 1st scheduled interest rate change will take place. This date is found on both the Note and Rider:
 - If incorrect on Note, need new Note executed by borrower.
 - If incorrect on Rider, need new Rider executed by borrower and a Letter of Intent to rerecord Mtg/DOT with corrected rider.
- Initial Caps, Lifetime Caps, Margin - Refer to ARM Doc Matrix for correct Caps and Margin for each ARM product (see Forms Library).

➤ Example of correct adjustments assuming an Initial Rate of 5.25 and Margin of 2.75 for a 3/1 ARM Conforming – Product 199 (Initial Adj 2%, Annual Adj 2%, Life Cap 6%)

The Interest Rate I am required to pay at the first Change Date will not be greater than 7.25% or less than 3.25%. Thereafter, my adjustable interest rate will ~~never~~ be increased or decreased on any single Change Date by more than two percentage points from the rate of interest I have been paying for the preceding 12 months. My interest rate will never be greater than 11.25%.

Initial Adj. Annual Adj. Life Cap

If Caps and/or Margin are incorrect on Note, need new Note executed by borrower

If Caps and Margin are incorrect on Rider, new Rider executed by borrower and Letter of Intent to record Mtg/DOT is required

- If Caps and/or Margin are incorrect on Note, a new Note must be executed by the borrower:
 - If Caps and Margin are incorrect on Rider, a new Rider must be executed by borrower and a Letter of Intent to record Mtg/DOT is required.
 - The loan may be ineligible for purchase based on Finance Charge calculations when an error has occurred on the ARM details.
- FHA ARM - refer to Government Doc Matrix in the Forms Library for Interest Change dates and Cut-off dates.
 - If incorrect, new Note needs to be executed by the borrower.
- ARM Disclosure - check for appropriate disclosure according to ARM product.
 - Disclosure must be provided to the borrower within 72 hours of their initial application.

1107 Name Affidavit

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

1108 Security Instrument

- Must be stamped "True and Certified Copy of the Original sent for Recordation". The stamp must be initialed by the individual stamping the document.
- Complete Security Instrument, including all pages and a complete and correct legal description is required.
- Check Closing Date, Loan Amount, Maturity Date and Property Address against Note.
- Check County name and Legal description against Title Commitment and Appraisal.
- Lender name must be correct.
- Mortgagor and Mortgagee must be correct.
- If there is a Deed of Trust, the Trustee name and address must be filled in.
- If any information on the Security Instrument is incorrect, the errors must be corrected and the Security Instrument re-recorded. NewRez will require a copy of the instrument with corrections and letter of intent to rerecord prior to funding of loan.

- Changes on the Security Instrument that affect the terms of the loan (i.e., loan amount and maturity date) must be initialed by borrower and a letter of intent to rerecord must be received prior to funding of loan.
- If closed in the name of a Trust, borrower must sign individually and as Trustee. The complete name of the Trust is required on the signature line.
- Correct forms must be used according to the product & state.
- If loan is a FHA Loan the case number must be listed on Security Instrument.
- On all loans eligible for sale to Fannie Mae or Freddie Mac, the tagline that identifies the instrument as a Uniform Instrument must remain part of the document and be included on each page.
 - The tagline requirements do not apply to FHA or VA loans
- A MOM Security Instrument must have 18 digit min #
 - If Correspondent's Org ID, and MIN # is **incorrect or missing** , Client may take one of the following actions to correct:
 - Execute a Mortgagee's Affidavit to be recorded
 - In CA only - an Assignment from MERS to MERS may be recorded to correct the MIN#
 - Execute Mortgage Modification to be recorded
 - Correct the Mortgage and re-record
 - MERS will not accept a Security Instrument with NewRez's Org ID and MIN # on the document
 - MERS P.O. Box and physical street address required on MOM security instruments in the state of Mississippi:
 - P.O. Box address: P.O. Box 2026, Flint, MI 48501-2026
 - Street address: 1901 E Voorhees Street, Suite C, Danville, IL 61834
- The following person(s) must sign the Security Instrument and any Riders to the Security Instrument:
- Each person who has an ownership interest in the security property (an individual "in title), even if the person's income is not used in qualifying for the loan.
- The spouse or domestic partner of any person who has an ownership interest in the property, if his or her signature is necessary under applicable state law to waive any property right he or she has by virtue of being the owner's spouse or domestic partner.

See Product Profiles for signature requirements if the loan is secured by a property in a living trust.

- We will accept short form security instruments for properties that are located in the following states:
 - Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Idaho, Kentucky, Maine, Maryland, Nebraska, Nevada, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Washington, Wisconsin and Wyoming
- At closing the borrower signs a short form security instrument that contains the specifics of the transaction, such as closing date, loan amount, maturity date, property address, and any applicable riders, but incorporates the details of a master mortgage only by reference.
- The short form security instrument must reference the master form that has been previously recorded:
 - It must state that the master form instrument was recorded in the county in which the subject mortgage is offered for record.
 - It must state the date when the master form instrument was recorded.
 - It must state the book and page where the master form instrument was recorded.
 - And it must state that a copy of the master form instrument was provided to the person executing the security instrument.

1109 Security Instrument Riders

- Check that appropriate riders are attached and signed. If a rider is not signed at closing, borrower(s) must execute the applicable Riders and Security instrument with Rider attached must be re-recorded.
 - Multistate Planned Unit Development (PUD) Rider (Form 3150)
 - If appraisal states that the property is a PUD, a signed PUD rider must be attached to the Security Instrument.
 - Special Rider must be used for Texas Section 50(a)(6) mortgages that are secured by units in a PUD project.
 - If PUD rider was signed and property is a Single family, this is acceptable.
 - Required for all conventional loans when the FNMA/FHLMC form is used.
 - The Project Name must be filled in. Check Project Name against Appraisal and Title/complete and correct Legal Description. If Project Name is incomplete or incorrect, need completed or corrected copy along with a Letter of Intent to rerecord the Security Instrument.
 - Multistate Condominium Rider (Form 3140)
 - If appraisal states that the property is a Condominium, a signed Condominium Rider must be attached to the Security Instrument.
 - Special Rider must be used for Texas Section 50(a)(6) mortgages that are secured by units in a condominium project.
 - If Condominium Rider was signed and property is a Single Family detached, the Condo Rider must be removed from the Security Instrument and the Security Instrument must be re-recorded.
 - Required for all conventional loans when the FNMA/FHLMC form is used.
 - The Project Name must be filled in. Check Project Name against Appraisal and Title/complete and correct Legal Description. If Project Name is incomplete or incorrect, need completed or corrected copy along with a Letter of Intent to rerecord the Security Instrument.
 - If applicable, the following Riders must be executed and attached to the Mortgage or Deed of Trust:
 - MERS Rider (Form 3158) if property is in Montana, Oregon or Washington
 - PUD Rider
 - Condo Rider
 - One- to Four- Family Rider
 - ARM Rider
 - Second Home Rider
 - VA Rider
 - Manufactured Home Rider

Texas Home Equity Affidavit and Agreement is required to be attached and recorded with the Texas Home Equity Security Instrument

1110 Marital Rights- Non Owner Spouses

If a loan is subject to rescission under the Truth-in-Lending Act, the following person(s) must receive the Truth-in-Lending Disclosure and two copies of the Notice of Right to Cancel:

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

The loan file must contain evidentiary documentation of receipt of the Truth-in-Lending Disclosure and two copies of the Notice of Right to Cancel by the required person(s). Evidence of delivery is not sufficient.

1111 Modification Agreement

The Mortgage or deed of trust and note will be audited upon receipt to confirm compliance with program parameters. If an error is identified during the audit, it is the Client's responsibility to provide corrected documents. In lieu of correcting the original documents, a Modification agreement may be prepared and executed by all borrowers and then recorded. The modification agreement must be stamped "True and Certified Copy of the Original sent for Recordation. The stamp must be initialed by the individual stamping the document. If a modification agreement is used solely to correct an error on the note, it is not necessary to record the document. A sample modification agreement is available in our Forms Library.

1112 Intervening Assignments

- If Intervening Security Instrument is on MERS form or assigned to MERS, then an Intervening Assignment is not required.
- Must be stamped "True and Certified Copy of the Original sent for Recordation". The stamp must be initialed by the individual stamping the document.
- Must be assigned to Correspondent (follow chain).
- If there is an Assignment of Deed of Trust, the Trustee must be the same as on the Deed of Trust.
- The Assignment Note date must match the closing date on both the Note and the Security Instrument.
- Borrower name must match the borrower name on the Security Instrument.
- Assignment must reference the property address or complete and correct legal description or Security Instrument recording information.
- Lender name must match Security Instrument exactly.

1113 Assignment - MERS

All loans must be assigned to Mortgage Electronic Registration Systems, Inc. For information on MERS membership, visit their Web site at www.mersinc.org.

General

- Required only if loan did not close using MOM Security Instrument (MERS on Mortgage).
- If required, must be assigned to "Mortgage Electronic Registration Systems Inc" and include 18 digit MIN # , MERS address and phone number.
- MIN number and MERS phone number must be on the first page of the assignment.
- MERS P.O. Box and physical street address required on assignments to MERS in the state of Mississippi:
 - P.O. Box address: P.O. Box 2026, Flint, MI 48501-2026
 - Street address: 1901 E Voorhees Street, Suite C, Danville, IL 61834

- Must be stamped "True and Certified Copy of the Original sent for Recordation". The stamp must be initialed by the individual stamping the document.
- If Client's Org ID, and MIN # is incorrect or missing, one of the following corrective actions can be taken:
 - Execute a Mortgagee's Affidavit to be recorded
 - In CA only - an Assignment from MERS to MERS may be recorded to correct the MIN#
 - Execute Mortgage Modification to be recorded
 - Correct the Assignment and re-record
- If there is an Assignment of Deed of Trust, the Trustee must be the same as on the Deed of Trust.
- Assignment Note date must match closing date on Note and Security Instrument.
- County must be correct.
- Client name must match Security Instrument.
- Notary Section must be complete.
- Assignment should be a copy of the original, which is sent for recording.
- Needs to be signed by Correspondent Representative.

1114 Non MERS Member Selling Closed Loans

For NON-MERS Members selling closed loans to NewRez, the following policies apply:

1. NewRez will provide a MIN number at the time of registration for all NON-MERS members.
2. You can find the NewRez MIN number on the:
 - registration/lock confirmation
 - pipeline summary
 - loan status option
3. The MIN number must be noted on the Assignment.
4. You are not eligible to use MOM docs when you are NON-MERS Member
5. To prepare an assignment, assign to "Mortgage Electronic Registration Systems, Inc." and include the following information:
 - MERS address
 - If property is in the state of Mississippi include P.O. Box and physical street address. Refer to section [1111](#) for addresses.
 - MERS phone number 1-888 679-6377 on first page of assignment
 - 18-digit MIN number on first page of assignment
6. NewRez will register the loan with MERS on Client's behalf.

1115 MERS Members

The following are MERS Members policies:

1. For originations, the originator must register the loan with a MOM security instrument on the MERS System within seven calendar days of the Note Date (or Funding Date in escrow states).

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

1116 MERS Org ID For NewRez

The following identifies NewRez's Org ID number for MERS Members who complete the registration of their loans with MERS and how to transfer loans correctly:

- **Conforming Loans**

If purchase advice or lock commitment states:

NewRez LLC = transfer to 1007544 (Servicer/Investor)

- **Government Loans**

If purchase advice or lock commitment states:

NewRez LLC = transfer to 1007544 (Servicer/Investor)

For any MERS-related questions email: MERSOriginations.FTW@newrez.com

1117 MERS Loan Suspension WARNINGS and Reminders

The following is a list of common MERS errors made by our Correspondents when interpreting our policy regarding MERS as Original Mortgagee (MOM) I and Non-MOM loan assignments. Loans that do not comply with our policy will not be funded.

1. Ensure that the MIN (MERS Identification Number) is printed on the appropriate documents in the designated location. For MOM loans, the MIN should be printed on the Mortgage or Deed of Trust. For NON-MOM loans, the MIN should be printed on the assignment.
2. For NON-MOM loans, endorse the loan assignment to the full name, spelled out completely as follows: "Mortgage Electronic Registration Systems, Inc."

1118 Closing Disclosure (CD) Statement

- A final CD is required for all loans.
- Must include borrower's names, property address and loan amount.
- CD must be signed by all parties to the transaction.
 - If CD is not signed, it cannot be viewed as a final CD.
 - If loan is located in an escrow state:
 - A final signed CD by all parties to the transaction is not required.
 - A final CD signed by the escrow/closing agent or stamped as true and certified copy of the original by the escrow/closing agent is required.
 - An estimated CD signed by all parties to the transaction or signed addendum to the estimated CD or signed escrow/closing instructions is required.
 - States that may close in escrow are Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah and Washington
- Interest Credit
 - NewRez's Servicing Division must have sufficient time to process the loan before receipt of the first payment, therefore an interest credit to the borrower can only be made up to the 10th day of the month for conventional and 7th day of the month for FHA.
- Interest on CD
 - If interest starts the day of closing loan, must be a purchase. If loan is a refinance, occupancy must be a second home or investment.
 - If loan is a refinance and primary residence the Interest Start day must be the 4th day after the loan closed.
 - Validate the First Payment Date on the Note by looking at the interest collected in the 900 section of the CD. Interest should be collected from disbursement date to the month prior to the first payment date.
 - For example: Loan disbursed on 06/11/08, interest is collected from 06/11/08 to 07/01/08, and First payment date is 08/01/08.
- For conforming loan amounts, a loan is considered to be Cash Out if the cash back to the borrower is 2% of the loan amount or \$2000 whichever is less.
- For non-conforming loan amounts, a loan is considered to be Cash Out if the cash back to the borrower is more than 1% of the loan amount.
- A loan can also be considered Cash Out according to UW restrictions (i.e. Paying off major debt, a previous loan or buyout of a co-owner) always refer to Underwriting Approval and AUS Findings when referring to the loan purpose.
- If there is cash back to the borrower as stated above:
 - And it's a primary residence located in Texas loan must close as a Texas Home Equity transaction. Refer to Texas Home Equity section for more detail
 - NewRez will show the loan purpose as a Cash Out. This is important and effects the pricing of the loan
- If DU Refi Plus product, cash back cannot be over \$250.00. If over \$250 the difference must have been applied as a principal reduction.
- If escrows are collected on the CD, NewRez will net escrows from the Purchase Advice.

1119 Escrows / Impounds

Tax Bills

Refer to [Chapter 14](#), Section 1401 Taxes for First Mortgages.

Insurance Policy

Escrow accounts – the policy must have a remaining term of at least 45 days after closing.

Non-escrow accounts – the policy must have a remaining term of at least 30 days after closing.

If the renewal insurance policy is not available, obtain one of the following:

- Temporary binder from the insurance company
- Offer of renewal from the insurance company
- Quote with underwriting approval from a new company

* Any bills paid prior to settlement must have a paid receipt at settlement for proof of payment. You will be billed for any tax penalties that accrue. If bills are not available the title policy must reflect taxes as being paid current. Refer to the Tax Penalty Process in the Post Funding/Servicing section of this manual for further detail.

Shortages or surpluses in the escrow account that are equal to or greater than \$300.00, and payment changes equal to or greater than \$25.00, are referred to the Escrow Analysis Unit for corrections.

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

Initial Escrow Statement

- Initial Escrow Statements are required on all loans in which escrows / impounds are being held by the servicer.
- Flood Insurance must be escrowed for if there are escrows for any other item.
- If loan has MI, monthly MI must be on Initial Escrow Account Disclosure and amount match MI Cert
- A two (2) month cushion should be used in the Initial Escrow Statement unless state regulations specify differently.
- This statement must be provided to the borrower at the time of settlement. Initial Escrow Statements must include the following information:
 - Amount of the total monthly payment
 - Portion of monthly payment that is being placed into their escrow account
 - Itemize the estimated charges such as school taxes, city taxes, insurance premiums, etc. that is expected to be paid during the next escrow computation year. Need to include the description of the item, due date, term and disbursement amount.
 - Running Trial Balance which reflects the estimated activity in the escrow account during the next 11 months.
 - Starting Reserves (inclusive of the Initial PMI premium amount); escrow disbursements prior to the 1st Pay Date; interim/added assessment; Total Reserves to be collected at Closing and Target Balance.
 - For loans with monthly FHA/MIP insurance, the MIP amount is NOT included in the calculation of the target balance/cushion.

Escrows for New Construction

- To avoid “payment shock” Regulation X applies to Escrows for New Construction loans.
 - The customer shall estimate the amount of escrow account items to be disbursed. In cases of unassessed new construction, the servicer may base an estimate on the assessment of comparable residential properties in the market area.

1120 Escrow Waiver Policy

If loan has no escrows collected there should be an Escrow Waiver in the file. The following can be used as an escrow waiver

- Escrow Waiver form
- Payment Letter signed by borrowers showing no escrows with payment
- A blank signed Initial Escrow Account Disclosure Statement

NewRez will consider escrows waived if only homeowners/hazard insurance, wind, earthquake, flood, and HO-6 are being escrowed on the CD.

If a loan requires flood insurance and we escrow for ANY other item, we MUST collect escrows for flood insurance. This is a federal requirement.

Refer to Product Profiles for complete Escrow Waiver requirements.

If escrows were waived and product does not permit an escrow waiver an approved exception must be obtained.

1121 Tax Certificate

- A completed Tax Certificate must be in the file. If there is not a completed Tax Cert, Tax information provided within the Title Commitment or Policy is acceptable
- Tax Authorization form is required in NJ, PA, NY or IL

1122 Hazard Insurance

- Refer to Chapter 10A, Insurance and Survey Requirements

1123 Flood Insurance

- Refer to Chapter 10A, Insurance and Survey Requirements

1124 Hawaii Lava Flow Hazard Zones

The following two zones have been identified as particularly hazardous:

- Zone #1, which consists of the summit areas and active parts of the rift zones of Kilauea and Mauna Loa.
- Zone #2, which consists of areas adjacent to (and downslope from) the active rift zones of Kilauea and Mauna Loa.

Properties located in Lava Zone 1 or Lava Zone 2 are ineligible for purchase.

1125 Life of Loan Certification

- NewRez requires that all loans submitted for funding contain a Standard Flood Hazard Determination Contract.
- Flood Cert must contain correct property address
- The initial flood determination verifies whether the property lies in a Special Flood Hazard Area.

- The Life of Loan Monitoring Contract enables the investor to continue to track any changes in the property flood zone status over the life of the loan.
- Federal law requires proof of flood hazard insurance if the property lies in a flood zone, and that the certification meets regulatory requirements including compliance with the National Flood Insurance Reform Act of 1994.
 - If Standard Flood Hazard Determination states that the property is located in a zone beginning with A or V, then the property is located in a Flood Zone and requires Flood Insurance.
- Flood Insurance is not required if the property is located in one of the following zones (B, C, D, or X)
- Correspondents can obtain a Standard Flood Hazard Determination with a Life of Loan Contract from a company of their choice who performs flood determination services in accordance with the most recent Federal Emergency Management Agency Flood Determination guidelines. NewRez recommends using either of the following vendors:
 - CoreLogic Flood Services
 - ServiceLink National Flood, LLC
- NewRez will apply the following fees at funding for Standard Flood Hazard Determinations received, as listed below:

Vendor	Standard Flood Hazard Determination WITH a Life of Loan Contract
CoreLogic Flood Services	No charge
ServiceLink National Flood, LLC	No charge
Other	\$5.00

1126 Mortgage Insurance

MI Cert with the following info is required on all loans with an LTV over 80%. If the cert shows initial premium due, the amount must be shown on the CD as being paid. If the cert shows zero payment, no payment is required to be on the CD. If the cert states "Zomp" no payment is required to be on the CD. All loan information listed below must match the loan terms. If the loan information is different, a new certification must be obtained. MI coverage must meet NewRez's requirements

- Borrower's Name and Property Address
- Correct Loan Amount and Loan Term
- Correct Appraised Value and Sales Price

The LPSP MI certificate must reflect Single Premium only with no monthly payments and must be non-refundable. The LPMI disclosure is required to be signed at time of application. Evidence must be provided to show the premium has been paid.

For DU Refi Plus with MI and Open Access Products with MI cert cannot reflect "amendment", "modification", or "revised". If it does a new cert is required.

If loan is Lender Paid and Cert is provided, cert will need to be cancelled and LPMI Disclosure is needed.

Borrower Paid MI Option

- Arch
- Essent Guaranty
- Genworth
- MGIC
- NMI
- Radian

- United Guaranty

Acceptable Borrower Paid Mortgage Insurance Payment Options

- Financed MI (see product summaries for details)
- Monthly and Zero Monthly
- Level Annual
- Standard Annual
- Single Premium

Lender Paid Single Policy (LPSP) MI Option - Acceptable Companies

- Arch
- Essent Guaranty
- Genworth
- MGIC
- NMI
- Radian
- United Guaranty

Acceptable Lender Paid Single Premium Mortgage Insurance (LPSP MI) Payment Options

- Must be paid to MI company prior to purchase by NewRez

The LPSP MI certificate must reflect Single Premium only with no monthly payments and must be non-refundable. The LPMI disclosure is required to be signed at time of application.

If the cert shows initial premium due, the amount must be shown on the CD as being paid. If the cert shows zero payment, no payment is required to be on the CD. If the cert states "Zomp" no payment is required to be on the CD. All loan information must match the loan terms. The loan information is different, a new certification must be obtained. MI coverage must meet NewRez's requirements.

1127 Notice Regarding PMI

- Disclosure is required if:
 - Borrower paid Mortgage Insurance
 - 1 unit Primary residence
- Disclosure must contain the two dates informing the borrower when they can cancel their Mortgage Insurance
- If loan is an ARM, a Disclosure is required but the dates are not required to be on the form

1128 FHA Loans

- FHA connection for all FHA loans must verify the following:
 - Borrowers names
 - Property address
 - If MIP has been paid (for delegated and non-delegated correspondents)
 - Clients who are responsible for insuring their FHA loans must verify that the Term, Maturity Date, Original Loan Amount and ADP codes in FHA Connection are correct. If information is found to be inaccurate, NewRez will issue a post funding suspense item. In order to clear the suspense item, a copy of the FHA Application Screen with the corrected information must be submitted. Please refer to Chapter 8B, Section B810, of our Client Guide for detailed instructions on clearing suspense items.
- FHA Test Case Phase Only
 - All test case loans must have FHA's approval prior to being sold to NewRez. Please include FHA's Firm Commitment Letter with the loan files sent for purchase
 - Please be aware that NewRez will cease conducting the insuring process for you once you begin your test case phase.
- FHA Case Number must be consistent on all documents in the file
- The following documents are required on all FHA Loans. Please reference Chapter 7 as well for additional info and documentation needed
 - Addendum to Application must be completed, signed and dated as required
 - Amendatory Language Clause – can be separate form or part of Sales Contract
 - Required on all Purchase Transactions
 - Must be signed and dated by all Borrowers and Sellers
 - If Seller is HUD or a Financial Institution/Bank, then this for is not required
 - Value Section must be completed
 - Real Estate Certification - Can be on separate form or part of Amendatory Language Clause form or part of Sales Contract
 - Required on all Purchase Transactions
 - If Seller is HUD or a Financial Institution/Bank, then this for is not required
 - Must be signed and dated by all Borrowers, Sellers and Agent – agent signature not required if real estate not involved and date is only required if there is a date field
 - If Seller is HUD or a Financial Institution/Bank, then this for is not required
 - Signed and Dated Notice to Homebuyer 92900B– required on all loans except Streamline Refinances
 - Informed Consumer Choice Disclosure – not required to be signed
 - For Your Protection – Get a Home Inspection or acknowledgement of receipt
 - Only required on Purchases- n/a for New Construction
 - If Language is in the Sales Contract this is acceptable in place of the form
 - Conditional Commitment 92800.5B – required on all loans with an appraisal
 - Underwriter Name and CHUMS ID number required
 - Certificate of Occupancy – required in Purchase only Owner Occupied properties that are not New Construction
 - Termite Certification – required when Appraisal asks for one
 - Not required on streamlines
 - Signed by Borrower's and Seller's
 - Evidence of SS Number – SS Card, Paystubs, W2's, Equifax Verification Services, Tax Transcripts
 - Comprehensive Risk Assessment Worksheet is required on all loan not underwritten by NewRez
 - Required on all loans manually underwritten except Streamline Refinances
 - Closing Disclosure FHA Addendum Required
 - Required on all Purchase Transactions
 - Must be signed and dated by all Borrowers, Sellers and Closing Agent
 - If Seller is HUD or a Financial Institution/Bank, then this form is not required

1129 Application (1003)

- NewRez requires a completed fully executed 1003.
- Initial and final 1003's must be provided
- All HMDA data must be completed
- TPO is determined by auditing the interviewers section of the 1003.
 - TPO Approval is included in clients contract

1130 HMDA

The Home Mortgage Disclosure Act (HMDA) was enacted by Congress in 1975 and is implemented by the Federal Reserve Board's Regulation C. This regulation provides the public and regulatory agencies with loan data that can be used, among other things, to assist:

- in determining whether financial institutions are serving the housing needs of their communities; and
- in identifying possible discriminatory lending patterns.

Lenders must report data about:

- home purchase loans, home improvement loans, and refinancing loans that they originate or purchase, or for which they receive applications (application date, action taken and date of that action, loan amount, loan type and purpose, and if the loan is sold, type of purchaser)
- each applicant or borrower (ethnicity, race, sex and income)
- each property (location and occupancy status)
- rate spread if over certain thresholds, HOEPA status, and loan status (a/o 01/01/04)

The HMDA Type of Purchaser Code for NewRez Servicing is Code 71, a Mortgage Bank.

Additional details can be obtained by reviewing "A Guide to HMDA Reporting-Getting it Right" at www.ffiec.gov/hmda.

The following scenarios illustrate whether NewRez or Client have HMDA reporting responsibilities:

- Closed Loan - Delegated Correspondent:
 - Client takes the application and underwrites; NewRez purchases the loan. **HMDA action: the correspondent reports the loan as an origination on its LAR and NewRez reports the loan as Code 6, "Loan purchased by your institution"**
- Closed Loan - Non Delegated & Delegated Conditional Correspondent:
 - Client takes the application; NewRez or an MI partner underwrites the loan, and NewRez subsequently purchases the loan. **HMDA action: NewRez reports the loan as an origination on the LAR. Client is not required to file a report.**

1131 Title Insurance

Title insurance policy must grant NewRez their valid lien position and comply with FNMA's title insurance requirements as it relates to coverage, acceptable title exceptions and endorsements. More information can be found on the FNMA website at <http://www.efanniemae.com>.

- If refinance, title must be vested in our borrower(s) only, if not a Quit Claim Deed is required
- If purchase, current owner must match current owner on Appraisal or Sales Contract
- Determine if the property is Fee Simple or Leasehold.

- Leasehold Agreement should not expire before the maturity date of mortgage and ground rents must be paid current
- Appraisal will also confirm if property is Leasehold or Fee Simple.
- Required endorsements, if applicable:
 - Adjustable Rate Mortgage Endorsement (ALTA 6) - insures that the rate adjustments will not make the mortgage unenforceable or cause our lien to lose priority over other liens attached to the property after the loan is made.
 - Condominium Endorsement (ALTA 4) - insures, among other things, that the unit is listed on the required condominium documents (Master Deed, Condo Declarations, etc) and is part of the condominium. Additionally, it insures that condominium documents properly create a condominium; restrictions in the condominium documents will not cause a loss of title; that the lien of mortgage is superior to any lien for assessments; and that the unit is a separate tax parcel.
 - Planned Unit Development Endorsement (ALTA 5) - insures, among other things, against loss from violations of restrictions, prior assessment liens, encroachments.
 - Manufactured Housing Endorsement (ALTA 7) - clarifies that the housing unit is insured under the policy.

- A signed attorney opinion letter with the complete and correct legal description, easements and/or restrictions is acceptable in place of a title commitment in Iowa.
- A valid Closing Protection Letter/Insured Closing Letter is required on all loan files to include the Borrowers Legal names, subject property address and Title reference #.
- Due to the bankruptcy filing by LandAmerica's holding company and the related credit rating agency downgrades of LandAmerica subsidiaries, NewRez will no longer accept title commitments, title insurance policies, or Insured Closing Protection Letters from the following:
 - Land Title Insurance Company
 - LandAmerica NJ Title Company
 - Title Insurance Company of America

NewRez will accept title commitments, title insurance and Insured Closing Protection Letters from the following LandAmerica subsidiaries, subject to evidence of reinsurance from Fidelity National Title or its subsidiary, Chicago Title:

- Lawyers Title Insurance Corporation
- Commonwealth Land Title Insurance Company
- United Capital Title Insurance Company

1132 Short Form Title Policies

Short form title policies provide the same amount of coverage as a standard policy but in a shorter format. The policy references the loan specifics (insured amount, date of policy, property address, borrowers, etc.) and refers to general documents for all coverage. Limited Coverage Policies are not acceptable.

For example: it automatically provides the Environmental Protection Lien Endorsement (ALTA 8.1) Condo and PUD endorsements and all other standard endorsements without actually providing copies of these endorsements.

It also provides affirmative coverage for property specific exceptions such as restrictions, encroachments, etc with general statements in the policy text.

Not acceptable when:

- Property State is in Texas and Oregon
- Property is a leasehold

- Investor guidelines prohibit (refer to product summary)

An attorney's opinion of title is acceptable to Freddie Mac in lieu of a title insurance policy if all of the following conditions are met without exception:

1. The opinion must be addressed to the Seller and all successors in interest of the Seller.
2. The opinion must provide the following statement: We [I] agree to indemnify you and your successors in interest in the [Mortgage] [deed of trust] opined hereto, to the full extent of any loss attributable to a breach of our [my] duty to exercise reasonable care and skill in the examination of the title and the giving of this opinion.
3. The opinion must be given by an attorney licensed to practice law in the jurisdiction where the Mortgaged Premises are located. The attorney must also be insured against malpractice in rendering opinions of title in an amount commonly prevailing in the jurisdiction, taking into account the volume of opinions rendered by the attorney.
4. The opinion must not take exception to survey matters. When the attorney's opinion takes exception to survey matters, the Seller must provide whatever information is required by the attorney to remove the exception. If the attorney will not issue the title opinion without a survey exception, Freddie Mac will not purchase the Mortgage. In addition, the opinion must not be subject to any title exceptions other than those permitted under Section 39.4.
5. The Mortgage must not be secured by a unit in a condominium or PUD or a dwelling on a leasehold estate.
6. Attorney's opinions of title must be commonly acceptable in lieu of title insurance by private institutional Mortgage investors in the area where the Mortgaged Premises are located.

1133 Private Transfer Fees

Mortgages on properties encumbered by private transfer fee covenants prohibited by C.F.R. Part 1118 in the Federal Register, are ineligible if those covenants were created on or after February 8, 2011. Fees that do not directly benefit the property are subject to C.F.R. Part 1118 and are therefore ineligible.

Private transfer fees paid to the following to benefit the property are eligible:

- Homeowner associations
- Condominium
- Certain tax-exempt organizations that use private transfer fee proceeds to benefit the property

Correspondents must have controls in place to prevent delivery of ineligible loans for purchase and represent and warrant that loans are not collateralized by properties subject to ineligible private transfer fee covenants.

1134 PMI Drop Off in Payment Schedules

The Homeowners Protection Act ("HPA") sets out rules for termination of PMI insurance on certain residential home loans. The HPA only applies to residential mortgage loans that meet all of the following criteria:

- Conventional loans
- Insured by mortgage insurance
- Secured by one unit primary residence (Single Family, Condominium, PUD, etc.)

The HPA provides that the borrower may request PMI cancellation when the principal balance of the loan reaches 80% of the property's value and that the servicer must cancel PMI on the earlier of the "midpoint of the amortization period" or when the principal balance of the loan is scheduled to reach a 78% LTV based on the original value.

For conventional loans secured by a one- to four- unit investment property or a two- to four-unit principal residence, Fannie Mae requires that the servicer must cancel PMI on the first day of the month after the date that is the mid-point of the original amortization period. For loans sold to Freddie Mac, mortgages secured by one- to four-unit investment properties or two- to four-unit primary residences are not eligible for automatic cancellation of mortgage insurance. For loans sold to both Fannie Mae and Freddie Mac, automatic termination of PMI on second homes is treated the same as primary residences.

Because the reduction in principal balance to 78% of the property's value would rarely coincide exactly with the timing of the monthly payment, lenders cut off the MI payment just above the cancellation figure (i.e. 78.05%) or just below (i.e. 77.95%). The calculation of when the servicer must cancel PMI affects the payment schedule on the Truth in Lending disclosure. If the PMI payment is dropped just above the 78% LTV, the payment schedule will show one month (or more) fewer PMI payments than if the PMI payment is dropped just below the 78% LTV. See example below.

NewRez audits the Truth in Lending disclosure on its purchased loans pre-fund [delete or post fund] and reviews the payment schedule calculations.

Additional audits of the Truth in Lending disclosure payment schedule calculations may require that PMI payments on conventional loans secured by a one unit primary residence will continue until the principal balance of the loan has reached 78% of the property value. Since the 78% does not coincide exactly with the timing of the monthly payment, this will mean the principal balance will actually be below 78% at the time that the PMI payments can be dropped.

Example:

Original principal balance: \$183,366.28

Fixed rate 30 year loan with borrower paid private mortgage insurance

Amortization schedule for months surrounding PMI cutoff:						
No.	Billing Month	Payment	Interest	Balance	Monthly MI	% PMI Threshold
139	Dec-2018	1100.47	736.39	146995.09	60.56	78.28%
140	Jan-2019	1100.47	734.98	146629.60	60.56	78.09%
141	Feb-2019	1100.47	733.15	146262.28	60.56	77.89%
INCORRECT				CORRECT		
Payment Stream when PMI cut off is at 78.09%:				Payment Stream when PMI cut off is at 77.89%:		
11	1175.40	6/1/07	11	1175.40	6/1/07	
11	1174.45	6/1/08	11	1174.45	6/1/08	
11	1173.44	6/1/09	11	1173.44	6/1/09	
11	1172.37	6/1/10	11	1172.37	6/1/10	
11	1171.23	6/1/11	11	1171.23	6/1/11	
11	1170.02	6/1/11	11	1170.02	6/1/11	
11	1168.74	6/1/13	11	1168.74	6/1/13	
11	1167.37	6/1/14	11	1167.37	6/1/14	
11	1165.93	6/1/15	11	1165.93	6/1/15	
11	1164.39	6/1/16	11	1164.39	6/1/16	
11	1162.76	6/1/17	11	1162.76	6/1/17	
8	1161.03	6/1/18	9	1161.03	6/1/18	
219	1100.47	1/1/19	218	1100.47	1/1/19	
1	1099.38	5/1/37	1	1099.38	5/1/37	

1135 Calculation of PMI/MIP Payments

For loans that include mortgage insurance (PMI/MIP), the amount of the PMI/MIP payment calculated is included in the finance charge and the payment stream that is shown on the TILA disclosure.

To calculate the amount of the monthly PMI payment on conventional loans, multiply the loan amount on the note by the initial premium percentage rate from the PMI Certificate and divide the result by 11.

For HUD/FHA loans, the HUD required calculation must be used to determine the monthly MIP payments. This is described at: <http://www.hud.gov/offices/hsg/comp/premiums/sfpcalc.cfm>

NewRez will not purchase loans where the lender has multiplied the loan amount by .5 and divided by 11 to calculate the MIP payment on FHA/HUD loans. If the .5 calculation is used instead of the calculation required by HUD on an FHA/HUD loan, the payment stream will be inaccurate. This practice is unacceptable.

NewRez requires that the FHA/HUD MIP calculation be always used to determine the MIP payment on FHA/HUD loans.

1136 Right of Rescission

- Use the rescission form that most accurately describes what is happening in the transaction:
 - H-9 Rescission Model Form (Refinancing with Original Creditor) - applies when a creditor that has a prior lien on the borrower's home extends additional credit that is also secured by the home
 - H-8 Rescission Model Form (General) - applies to a loan from a creditor with no prior lien on the borrower's home
- Right of rescission documents must be signed and dated by all borrowers and all parties on title.
- Right of rescission should be signed and dated the same day as TIL and Security Instrument was notarized.
- New rescission must be issued if cancellation date is not within 3 full days after date of the TIL, and Security Instrument notarized date.
- If Rescission is not signed by all applicable parties, if dates are missing or incomplete or if the borrowers did not receive a full 3 days - NewRez will suspend for a new rescission period to be opened and disclosed to the borrower(s). The new rescission notice must have current dates.
- Waivers of rescission period are not permitted.

1137 State and Federal Disclosures

All disclosures must be in compliance with state, federal and local mortgage lending laws and regulations. NewRez will accept loans for funding/purchase, in which borrowers received initial federal and state disclosures electronically according to the requirements outlined by the Electronic Signatures in Global and National Commerce (E-SIGN) Act of 2000.

1138 Closing Instructions - Borrower Identity

For Conventional Conforming loans located in an escrow state Escrow/Closing Instructions signed by Borrower and Seller or a signed Estimated CD is required.

On correspondent loans the client's closing instructions must include specific instructions to the closing agent to confirm the identity of the borrowers. Copies of the closing instructions must be included in the file for purchase. A closing agent certification form that can be used by the closing agent is available in the Forms Library on the client website.

The following documents may be used to certify the borrower's identity:

U.S. Person:

- Valid State driver's license (photo)
- Valid State non-driver's license (photo)
- Work ID (photo)
- Student photo ID
- Military photo
- Military dependents' photo ID
- Department of Public Welfare photo ID
- Medicare card
- U.S. Passport (photo)

Non-U.S. Person:

- Non-U.S. Passport (photo)
- Resident Alien Card

1139 Reduced Documentation Product Disclosure

NewRez requires the use of a Reduced Documentation Product Disclosure (see Forms Library for sample) on all reduced documentation products where the costs associated with that product are higher than a comparable standard documentation product.

This disclosure ensures that the borrower is aware of any higher cost that he/she would incur upon selection of a reduced documentation product. Reduced documentation products include: Stated Income/Verified Asset (SIVA), Stated Income/Stated Asset (SISA), No Income/No Asset (NINA), No Income/Verified Asset (No Ratio) and No Income/No Asset/No Employment (No Doc).

The disclosure is required to be provided to all borrowers and borrower signatures must be obtained both at application and at closing.

1140 W-9 Form

Required to be signed by the primary borrower.

1141 4506T Form

Refer to Product Profiles

1142 Consolidation/Extension/Modification Loans

- NY Consolidation/Extension/Modification
 - A consolidation is having all previous liens and if previously consolidated - that modification - re-set into a new CEMA paying off all previous lien holders - BUT not releasing the debt of public records. These liens/CEMAS, as well as the Notes being endorsed to NewRez, are assigned to NewRez. NewRez must be in receipt of all these documents at the time of purchase. Loan will be suspended until all documents are received OR if the consolidation does not make sense.
 - Original Old note
 - Must be original, Lost Note Affidavits are not acceptable
 - Dates must reference of old mortgage in modification agreement
 - Must have complete endorsement chain up to NewRez
 - Endorsement chain must match assignment chain – refer to chain of title that is an attachment to modification agreement
 - Original old Mortgage
 - Must be original recorded or a county certified copy of the original
 - Dates must reference of old mortgage in modification agreement
 - Must be signed by all parties currently in title. If old mortgage does not reference the current parties in title you must have a Quit Claim deed showing full transfer of title.
 - New Note - This is the note showing the amount of new money that is being borrowed for the current transaction
 - New Mortgage - This is the mortgage showing the amount of new money that is being borrowed for the current transaction
 - Gap Note - If there is an advance Amount, original Gap Note required
 - Gap Mortgage - If there is an advance Amount, Gap Mortgage required
 - Assignments
 - Assignment chain must follow endorsement chain
 - Final assignment to NewRez must be assigned to MERS
 - If property is located in Suffolk County final assignment must be assigned to NewRez
-
- Consolidation/Extension/Modification agreement on Fannie/Freddie form 3172 1/01 rev. 5/01
 - If current modification agreement does not reference all of the same borrowers as the original loan, must have deeds in file showing title has been transferred
 - Must be stamped "True and Certified Copy of the Original sent for Recordation". The stamp must be initialed by the individual stamping the document.
 - Must be fully executed and notarized
 - Must have Exhibit "A" attached - This is a listing of Notes and Mortgages
 - Must have Exhibit "B" attached - This is the property description
 - Must have Exhibit "C" attached - This is an unsigned copy of a new note showing full consolidated loan amount and new maturity date
 - Must have Exhibit "D" attached - This is an unsigned copy of a new mortgage showing full consolidated loan amount and new maturity date
 - If FHA CEMA – form 3172 1/01 (rev. 5/01) may be used on FHA refinance transactions but reference to “Fannie Mae/Freddie Mac” must be removed and replaced with “Federal Housing Administration”
 - Eligible for NewRez Delegated clients
 - VA, USDA and Jumbo loan programs are not permitted
 - Expanded Criteria loan programs are not permitted

1143 Construction to Permanent Financing

Refer to Product Profiles

1144 Inter Vivos Trusts

Refer to Product Profiles

1145 Interim Interest Calculation and Interest Credits

NewRez charges interest to the correspondent and interest is calculated based on 360 days per year for all loans.

Our Servicing Division must have sufficient time to process the loan before receipt of the first payment, therefore an interest credit to the borrower can only be made up to the 10th day of the month.

Purchase Advice

Once a purchase advice is generated, it will be posted to our web site for your access at corr.newrezcorrespondent.com

Purchase advices are uploaded to the web site six (6) times throughout the day for your convenience.

Clients can view purchase advices for loans funding that day or for historical purposes. Loan data will remain on the web site for approximately one year after funding.

1146 Year End Reporting

Closed Loan Correspondents are required to provide the 1098 to the borrower for pre-paid interest collected at closing as reflected on the final CD and for points paid by the borrower to the lender. NewRez will only provide the 1098 for interest on payments received. If NewRez purchases the loan at Original Balance, the correspondent is still responsible to report pre-paid interest collected at closing.

Closed Loan Correspondents are also required to include Qualified Mortgage Insurance Premiums in 1098 reporting that are either included in the amount of the loan or paid in full at the time of closing. Qualified Mortgage Insurance is mortgage insurance provided by the Department of Veterans Affairs, the Federal Housing Administration, or the Rural Housing Service, and private mortgage insurance (as defined in section 2 of the Homeowners Protection Act of 1998 as in effect on December 20, 2006). See IRS Publication 936 section on Home Mortgage Interest Deductions for further information.

Section II. Credit and Collateral Review

NewRez will randomly select loans prior to funding and review them to ensure they meet our underwriting guidelines as stated in the Underwriting Section of this manual and as specified by the Product Summaries. These reviews may be targeted to a specific area of review (such as collateral) or may be a full underwriting review of the loan file. The review may include re-verification of loan information which may include (but not limited to): Employment, Income, Social Security, Property Information and valuation, as well as Public Records information. These reviews will be used to determine:

- Complete loan file and all underwriting disclosures provided (as required by product)
- Soundness of underwriting decisions
- Detection of fraud and misrepresentation

NewRez will use fraud detection tools to screen every loan.

1147 Underwriting Approval and Automated Underwriting Requirements

Every loan file submitted to NewRez must include a signed underwriting approval that matches the terms of the loan.

- Delegated Correspondents must have some form of approval signed by an underwriter. The following documents, signed by an underwriter, will be accepted as approval:
 - 1008 with Automated Findings
 - HUD 92900-LT
 - VA Loan Analysis or Interest Rate Reduction Refinance Loan Worksheet
 - Correspondent's own approval form with conditions
 - If contract underwritten, approval must reference the delegated correspondent as the client and not NewRez
- Non-Delegated Correspondents must have an Underwriting approval from one of the approved MI companies for conventional loans which is labeled "clear to close" and all "At Closing" conditions must be provided. All Governments loans must have an underwriting approval signed off by a NewRez underwriter.
 - Approval must reference NewRez as client or investor
 - Approval must not have expired
- Conditional Delegated Correspondents - Conventional Conforming loans only.
 - If the loan file is delivered without an AUS finding of "Accept" or Approve/Eligible" then the file will be reviewed as a Non Delegated loan.
 - If the loan file is delivered with AUS findings of "Accept" or "Approve/Eligible" then the file will be reviewed as a Delegated loan.
 - AUS finding are required for all Conventional Conforming loans
- Loans underwritten by NewRez – all Prior to Purchase conditions must be in file.
- Underwriting Conditions must be cleared prior to closing. Loans submitted for purchase without conditions being cleared may be rejected for purchase.
- Credit Docs cannot be expired on Approval
- UGI Premier Compliance Program – UGI gives underwriting authority to non-delegated lender to underwrite certain products.
 - Premier Compliance Cert needs to be included in file
- AUS findings are not required for the following products:
 - Government Loans
- The AUS findings/Contract UW approval must match how the loan was closed:
 - If the loan amount and/or interest rate are higher than the Note, findings are acceptable. If they are lower, you need corrected findings/Contract UW approval
 - If the appraised value and/or Sales price are higher, the findings are acceptable. If they are lower than you need corrected findings/Contract UW approval
 - Always need corrected findings/Contract UW approval if the following are not correct:
 - Loan type (i.e. product/term)
 - Property type (i.e. Condo/PUD)
 - Occupancy type (i.e. Primary/second home/investment)
 - Units
 - Property address
 - Correct Version of DU must be used
 - DU Preliminary Findings are not acceptable
 - The latest DU Submission is required
 - Submission Number Must Match Contract Approval
 - AUS Credit Report Reference # must match Credit Report
- GUS Findings required and need to be run with correct info on USDA Products

1148 Condo/PUD Warranty

All loans with Condo and PUD projects must be warranted to NewRez and must have the completed warranty form included in the file. The following matrices and forms are available on our Web site within the Product and Program Summaries Condo / PUD Warranties link:

- Fannie Mae Condo/PUD Requirement Matrix
- Freddie Mac Condo/PUD Requirement Matrix
- Conventional Condominium and PUD Warranty Form
- Conventional Condominium Project Questionnaire Form

1149 Appraisal

- LPA PIA option is not acceptable.
- NewRez will accept an original or a copy of an Appraisal with legible photos.
 - Appraisal must be signed
- Check AUS findings & Product Matrix to determine appraisal form is required.
- Appraiser license is required and must be active and not expired
- Appraisal must be "As-Is", if not:
 - Completion Certification (442) with original photos is required (for 1st mortgage conventional loans only)
 - If Completion Certification is missing due to escrow repairs - loan file must contain copy of escrow holdback agreement. Refer to additional escrow holdback requirements in Product Profiles
 - If nothing in file showing there is an escrow holdback, NewRez will suspend loan file for a completion cert.
- If appraisal reflects property as a Condo or an attached PUD, a Condo/PUD warranty form must be provided in the loan file.
- The monthly rental income and number of bedroom data must be provided for primary residence multi-family (2-4 units) and investment properties (1-4 units). Rental income can be found on the below documents:
 - Operating Income Statement (Fannie Mae Form 216)
 - Comparable Rent Schedule (Fannie Mae Form 1007)
 - Fair Market Rent letter from Realtor
 - Lease Agreement
 - Rental Income note on the Application or 1008
- The monthly rental income and number of bedrooms is required regardless of processing style or if the PIW option is selected.
- Refer to Product Profiles for additional appraisal requirements.
- For inspection requirements when natural disasters occur, refer to [Chapter 15](#).

1150 Verification of Employment

All loan files must contain a Verbal Verification of Employment for each borrower whose income was used to qualify the loan. The only exception to this is VA IRRRLs. If borrower is in the military a military Leave and Earnings Statement dated within 30 days of close is acceptable in lieu of a verbal verification. VVOE must have the following info.

- Must be dated within 10 business days of closing
- Borrower's employment status and job title
- Name, phone number, and title of individual contact at employer
- Name of the employer contacted
- Name and title of associate contacting employer from Lender

1151 Credit Report

A complete credit report is required on all loans except VA Streamline refinances.

- If there are fraud or identity alerts on credit report and identity verification form is required.

1152 Occupancy Certification

- A signed Occupancy Cert is required on all conventional loans locked on and after 4/19/2010, where the occupancy type is a Primary Residence or Second Homes and DU/LPA issues an Occupancy Finding or is required per UW Approval

1153 VA Loans

The following documents are required on all VA Loans.

- Non Delegated Prior Approve loans must have Certificate of Commitment
- If Delegated Conditional the following documents are required
 - Single Case Status print-out form VA TAS System
 - Notice of Value (NOV) issued by VA Regional Loan Center
 - Single Case Status Print-out must be consistent with NOV – borrower’s name, property address, value of property dated issued and expiration date and lender name
 - VA Loan Guaranty Certificate (LGY)
- Copy of VA Funding Fee receipt – required even if borrower is exempt from VA Funding Fee
 - Receipt must indicate Processed and not Pending
- VA case number must be consistent throughout the file
- Final Application Signed and Date by borrowers
 - All pages must be provided & loan terms must match actual loan terms
- Addendum to Application (VA Form 26-1802a) completed as required
 - Loan terms on Addendum must match actual loan terms
- VA Report & Certification of Loan Disbursement (form 1820) must be completed
 - GMI section must be completed
 - Must be signed and dated by Borrower & Lender
- Amendatory Language Clause/VA Escape Clause – can be part of Sales Contract or on separate form
 - Required on Purchases Only
 - Must be signed and dated by all Borrowers & Sellers – date only required if there is a date field
 - If Seller is the VA or a Financial Institution/Bank this form is not required
 - Value section must be completed
- VA Loan Summary Sheet – must be completed
- VA Interest Rate Reduction Comparison Sheet required on Streamlines
 - Must be signed by borrower and terms of new loan must match actual terms
- For EEM products a fully executed VA form 26-1820 is required

1154 Wire Instructions/Bailee Letter

- Please reference Chapter 12B, Section B1202 for details on Wire Instructions and Bailee Letter requirements

1155 Prior Lien Validation

- NewRez internal process is to verify that all prior liens have been satisfied on refinance transactions and will purchase the loan once the payoff has been validated.
- Inclusion of the payoff statement in the loan file is now required.

1156 GSA, LDP, Exclusionary List, NewRez's MIRR List and FHFA's Suspended Counterparty Program (SCP) list

- NewRez is prohibiting loans where any company or individual who are material parties to the transaction listed on NewRez Exclusionary List, GSA's Excluded Parties list, HUD's Limited Denial of Participation List, FHFA's Suspended Counterparty Program (SCP) list or NewRez's MIRR Cat III list. All lists must be checked when applicable for parties to the transaction. This prohibition includes both the Correspondent Client own employees and any third parties to whom origination and servicing functions are outsourced or assigned.
- In addition to checking the GSA and LDP lists NewRez has established an Exclusionary List and a NewRez's MIRR CAT III list specifically for Appraisers, identifying certain individuals and businesses. NewRez will not purchase a loan where an individual or company on the NewRez Exclusionary List or NewRez's MIRR CAT III list directly or indirectly involved in the transaction. The Exclusionary List and NewRez's MIRR CAT III list can be found on the NewRez website under "Information Center" "

1157 Income Calculation Worksheet

The Income Calculation Worksheet is used to help the reviewer determine stable monthly income for qualification. The worksheet is not intended to capture all underwriting requirements and documentation standards but will help the reviewer consider income trends and document how the income was calculated. Clients are responsible for reviewing guidelines and documentation to access whether income is reasonable and properly documented. The Client Guide and product profiles provide detailed information on income documentation and standards.

The worksheet will provide a total of all income considered on the worksheet. Comments on the worksheet can be included to show how income was calculated or to identify unique notes specific to the calculation of income. This worksheet can be used for non-self-employed income. For borrowers who are self-employed or receive income from real estate activities, a self-employed analysis worksheet, Fannie Mae 1084, Freddie Mac 91 or a comparable form showing how income was calculated must be used.

All loans submitted to NewRez for purchase must include an income calculation breakdown. It may be defined on the 1008 or on a separate worksheet. Clients may use the worksheet provided in our Forms Library or a comparable worksheet to document income. It must be detailed and clearly document how income was calculated.

1158 Social Security Number Verification Form

Fannie Mae has made changes to the Potential Red Flag messages that are issued when a Social Security Number provided on the loan application appears to be invalid. The messages have been updated to require additional verification to confirm the accuracy of the Social Security Number and will now specify the following verification requirements:

- The SSN accuracy must be confirmed, and if incorrect, the SSN must be updated and the loan casefile resubmitted to DU. If the SSN is determined to be correct, it must be verified directly with the SSA (direct validation by a third party is acceptable), and the loan must be delivered with SFC 162. If the SSN cannot be validated with the SSA, the loan is not eligible for delivery to Fannie Mae.
- If verification with the Social Security Administration is required, the Authorization for the Social Security Administration to Release Social Security Number Verification form SSA-89 must be completed by the borrower(s). This form can be found on the Social Security administration website at <https://www.ssa.gov/forms/ssa-89.pdf>
- The completed form as well as the Social Security Administration's response must be retained in the loan file when submitting to NewRez for purchase.

Chapter 12 Shipping and Delivery Methods

This chapter describes the processes for Prior Underwriting Approval, delivery, or funding of Loans. Chapters 12A through 12B focus primarily on process, and do not define or alter the actual Loan Program purchase criteria and eligibility standards. For product-specific information on loan criteria and eligibility, please refer to the current product matrices. Chapter 12C includes detailed information regarding processes related to the funding of loans, including wire transfer instructions. Following these instructions will help to speed the funding of your loans.

1200 Descriptions of Underlying Chapters[Chapter 12A, Methods of Delivery:](#)

Describes the different methods a loan can be delivered to NewRez.

[Chapter 12B, How to Deliver:](#)

Instructions regarding delivery of loans to NewRez, and an outline of the steps involved in reviewing the files, making a decision to accept or refer, and a listing of required Funding Documents.

[Chapter 12C, Funding Requirements and Wire Instructions:](#)

Information regarding NewRez's wire transfer payments to fund loan purchases, and the processes for complying with Client's remittance obligations.

1201 Written Communication

In Chapter 12A through 12C, wherever this Client Guide states that NewRez will provide written communication to Client concerning a decision, notification or other communication from NewRez to Client regarding Prior Underwriting Approval, delivery or funding, NewRez may provide its written communication in any reasonable method determined by NewRez to reach the intended recipient. If Client has provided its postal mail address, email address, fax number or other contact information to NewRez for purposes of communicating written communication regarding Prior Underwriting Approval, delivery, or funding, NewRez may rely upon such contact information and may presume that such written communications have been delivered to the intended recipient.

Chapter 12A Methods of Delivery

This section describes alternative methods that Clients may utilize to deliver loans to NewRez.

A1200 Submitting Files through Image Central

To submit a closed Loan image file, upload the documents to Image Central at corr.newrezcorrespondent.com. For more detailed information on how to deliver image files, access the [Training Center](#) link and click on the Image Central Training area.

1. The upload images function enables the import of the following types of documentation:
 - Appraisals
 - Credit file
 - Closing file
 - Credit and Closing files (simultaneous upload)
 - Trailing/ Suspense Documents
 - Request for Funds/ Advance
 - Condo Review Requests
2. Image files must be in PDF or TIFF formats only.
 - PDF format is preferred
 - Security Restrictions or bookmarks on PDF Files are not permitted
 - TIFF format should be multi-page (typically Group IV TIFF format)
 - All file documents should be within one electronic file
 - Zip files, folders or password protected documents may not be uploaded, this will cause a delivery failure after receiving a successful upload
 - Adobe PDF Package files (is a PDF packaging similar to a zip file) may not be uploaded or transferred
3. Original recorded documents cannot be uploaded.
4. Appraisals must be in a PDF format and uploaded separately from the loan file.
5. Indexing or doc typing is not required or accepted.
6. Image Central provides an immediate confirmation of delivery
7. History of upload is stored for 30 business days and is accessible in the View Uploaded Images section.
8. Once a Loan image file is uploaded for a prior approval or closed Loan file, supplemental documents such as suspense conditions may be uploaded regardless of where NewRez is in the review process.

A1201 SFTP and Vendor Delivery

SFTP, or secure FTP, is a program that uses SSH (Secure Shell) to transfer files. Unlike standard FTP, it encrypts both commands and data, preventing passwords and sensitive information from being transmitted in the clear over the network. Although it is functionally similar to FTP, but because it uses a different protocol, you cannot use a standard FTP client to talk to an SFTP server, nor can you connect to an FTP server with a client that supports only SFTP.

- SFTP is the preferred protocol.
 - In cases where Clients and/or Vendors prefer an alternate protocol, the best method for all parties will be determined based on the circumstances.
 - The NewRez Enterprise File Transfer (EFT) Team will initiate all SFTP set-ups, working with the IT Department of the Client/Vendor.
1. **Pre-Setup Requirements**
 - NewRez will require a Client or Vendor Operations and IT contact
 - Public Key to be submitted at the time of Electronic File Transfer Request.
 - Contact eDelivery.FTW@newrez.com to request SFTP set-up.

2. Image Transmission Testing

- Successful testing requires a coordinated effort between NewRez's Systems Group, EFT Team, and Business Managers along with Client and/ or Vendor Operations and IT. The objective is to successfully test all image submissions prior to the start of production delivery.
- All Tests will take place within NewRez's **Production** environment – not in Model or Development environments - to expedite the set-up process.

3. Indexing (Doc Type) Requirements

- NewRez prefers to receive non-doc typed images and requires the original batch of multi-page TIFF or PDF for each loan.
- There are no incentives, fees, or price changes for images received doc typed vs. non-doc typed.

4. Imaging Specifications

- Scanning resolution set at a minimum of 300 dpi
- Image must be aligned vertical and top side up
- PDF format is preferred, but TIFF documents scanned in black and white mode are acceptable
- When submitting TIFF formatted files, all images should be scanned in a Multi-Page TIFF Group IV format for all the documentation except the Appraisal and photos, which must be in a PDF format
- Image Central does not support Single Page TIFF, HTML, JPEG, GIF file formats
- Security Restrictions or bookmarks on PDF files are not permitted
- Adobe PDF Package files (is a PDF packaging similar to a zip file) may not be uploaded or transferred

5. Acceptable Transfers

- Clients may submit loans for the following approved Business designations:
 - Prior Approval Underwriting – Credit File Submission for NewRez to Underwrite
 - Correspondent Closed Loan (CLC) - Credit and Closing Files simultaneously submitted for NewRez to Purchase. NewRez will accept files from all Correspondent CLC approved business types Prior to Purchase:
 - Flow
 - Conditions, Suspense and Appraisals- supplemental documents such as suspense conditions may be sent regardless of where NewRez is in the review process.
 - Condo Reviews
- For the following Business Designations the Credit and Closing File will be accepted Post Purchase:
 - Platinum
- Original Notes – please refer to the **Required Original Documentation** section of the Manual.

6. Vendor Delivery

- NewRez accepts electronic delivery from the following Vendors:
 - VirPack
 - BlitzDocs
 - Encompass (Ellie Mae)
 - Acris Solutions
 - BeesPath
 - CJ Technologies
 - Security Connect
- Please refer to the Vendor's documentation on Investor delivery as software and processes vary.
- If you have an existing contract with one of the above vendors, contact the vendor to initiate set-up for Delivery. The Vendor will coordinate set-up and testing with NewRez and the Client
- All Vendor set-ups are via SFTP
- Please contact eDelivery.FTW@newrez.com to determine if you may arrange delivery through a vendor not listed above.

Chapter 12B How to Deliver

This section outlines the process for delivery of Prior Underwriting Approval, Exceptions, Condo Reviews, Closed Loan Files, Post Funding as well as other documentation. This section's primary focus is on process, and does not define or alter the actual Loan Program purchase criteria and eligibility standards, which are contained in other chapters of this Client Guide.

B1200 Prior Approvals

- Register the Loan with NewRez.
- If required, obtain DU or LPA recommendation. See [Chapter 1E, Electronic Services](#), of this Client Guide for details on obtaining an Automated Underwriting System recommendation.
- Process the Loan according to findings.
- Use the findings report to assemble the package. If the Loan is not submitted to DU or LPA, use the [NewRez Underwriting Checklist](#) to assemble the package.
- Placement of the NewRez Loan Submission Cover sheet
 1. Image Delivery: form should be included in the imaged file, if possible
 2. Paper Delivery: on the top, right side of the package.
- If applicable, place Loan in a FINAL status in DU or in FINAL ASSIGNMENT in LPA.
- To submit the file to NewRez, select from the following methods:
 - [Image Delivery](#)
 - [Paper](#)
- Client is not required to submit or forward an original file for any Loan credit file that has been submitted through Image Central, or through SFTP/ Vendors.

1. Image Central Prior Approval Underwriting Delivery

For information on how to deliver image files using Image Central, access the [Training Center](#) (from the secured portion of our web site) link and view the Image Central Training Document.

- The following file types may be uploaded for Prior Approval Underwriting review:
 - Credit File
 - Appraisal File (must be in a PDF format - no size restriction)
 - Trailing/ Suspense Documents
- Be sure to select NewRez to Underwrite: **Yes** when uploading a Credit File or Trailing/ Suspense Documents for the Underwriting Department.
- Selecting Yes will move the file or document to the Underwriting queue for review.
- Selecting No will delay the identification and underwrite or review of the loan or documentation.

2. SFTP/ Vendor Prior Approval Underwriting Delivery

For information on how to deliver image files using SFTP, access the [Methods of Delivery](#) Link.

- The following file types may be sent via SFTP for Prior Approval Underwriting review:
 - Credit File
 - Appraisal File (must be in a PDF format - no size restriction)
 - Training/ Suspense Documents*
- The file naming convention of the file being delivered is specific to the Department or area for which the file is submitted
- All files submitted for Prior Approval must have a workflow indicator of uw to direct the file to the Underwriting Queue
- Entering a different workflow will delay the identification and underwrite of the loan or documentation

- If using a Vendor for SFTP delivery be sure to contact the vendor regarding delivering files to NewRez for Underwriting. Many Vendors have a drop down method where a client would select “Underwriting” when submitting the file.

Note: Trailing/ Suspense Document delivery is currently not available through VirPack or BlitzDocs

3. Paper Delivery for Prior Approval Underwriting

- If mailing, overnight the package to:

NewRez LLC
1100 Virginia Drive
Suite 200
MC 190-FTW-M20
Fort Washington , PA 19034

- Please be sure to include Suite 200 and Mailstop Code 190-FTW-M20 in the mailing address. Failure to include this information may result in the file being misdirected or delayed.
- NewRez requires a copy of the credit file; do not send any original documentation in the file with the exception of the Appraisal.
- Appraisals may be uploaded in a PDF format on the NewRez Client website
- Submission of Trailing or Suspense documents must be made via Image Upload or SFTP.

B1201 NewRez Condominium Project Review

For all condominium projects that require NewRez to warrant the project, follow the procedures listed below:

1. If loan is being submitted to NewRez for underwriting:

- Include all condominium documents as per the Fannie Mae or Freddie Mac matrix in the credit package submitted for underwriting
- Use the standard upload procedure when submitting all condo project documents. When submitting the loan to NewRez for underwriting, DO NOT submit condo documents through “Condo Review”. Include condo project documents with rest of credit file.
 - a. NewRez underwriter will determine if project is eligible for limited review and if acceptable, will provide warranty. Any additional conditions or instructions will be listed on the NewRez Loan Decision Letter.
 - b. For any loan submitted to NewRez for underwriting, the loan decision letter will be updated to reflect any additional requirements and the status of the project review.
 - c. Conditions or additional requirements for limited review should be uploaded as Trailing/Suspense for Underwriting.
 - d. If project is not eligible for limited review warranty, NewRez underwriter will forward project to Condo Project Review department for review. Any outstanding items or conditions will be added to the NewRez Loan Decision Letter
 - e. Use the Fannie Mae or Freddie Mac Condo matrix to gather required documents for project. Documents should be gather early on in process and be available when submitting loan for underwriting.

2. If loan is being submitted for a Full Condo Review including:

- a. Delegated client submission for a condo project for Full review
- b. Limited Reviews previously submitted which are determined to require a Full Review

- Please Note that a fee will be assessed for the Project Review, for further information the **Fee Schedule** may be referenced.
- For loans committed to NewRez, the suspense items are available on the suspense report.
- Submission of Trailing or Suspense documents for Project Review must be made via Image Upload or SFTP

3. **Request for a NewRez Condominium Full Project Review and Full Review Conditions/ Suspense may be sent through one of two delivery methods:**

- [Image Delivery](#)
- [Paper](#)

1. **SFTP/ Vendor Condo Review Delivery**

- For information on how to deliver image files using SFTP, access the [Methods of Delivery](#) Link.
- The following file types may be sent via SFTP for Condo Review:
 - Condo Review Package (CNDREV)
 - Appraisal File (must be in a PDF format - no size restriction) – (APPR)
- The file naming convention of the file being delivered is specific to the Department or area for which the file is submitted
- All files submitted for Condo Review must have a workflow indicator of 'io' to direct the file to the Condo Queue
- Entering a different workflow will delay the identification and review of the documentation
- If using a Vendor for SFTP delivery be sure to contact the vendor regarding delivering files to NewRez for Underwriting. Many Vendors have a drop down method where a client would select a file type when submitting a file.

Submission of Trailing or Suspense documents must be made via Image Upload or SFTP remove

- The condominium documents should be forwarded to NewRez as early as possible to allow for sufficient time to process the request. Turn time varies and based on project review type
- If a project questionnaire is required, use the Conventional Condominium Homeowners' Association Questionnaire
- If the project is acceptable, the Condominium Warranty Certification will be faxed back. Include this form with your funding package.
- This signed warranty form will satisfy the Contract Underwriting "Prior to Closing" condition for the condominium warranty. Funding of the Loan will not occur until the Conventional Condominium Warranty form is received by NewRez.
- Once a condominium project is warranted by NewRez, a copy of the warranty with any outstanding conditions will be posted at corr.newrezcorrespondent.com. Any conditions stated on the warranty must be satisfied and included in the Loan file for purchase.
- The NewRez Conditional and/or Final Warranty Approval are valid for six months. After the six month expiration date, all appropriate documentation must be updated to verify there have been no changes that would adversely affect the project.

B1202 Closed Loan

After Client has entered into a Commitment, the normal stages of the delivery and subsequent funding process for a Loan are as follows:

- Client closes the Loan and submits the Funding Documents for the Loan to NewRez.
- NewRez reviews and determines acceptance of the Funding Documents; if necessary, Client submits corrected or additional Funding Documents. [See the Review and Acceptance of Funding Documents](#) section.
- If the Funding Documents have been accepted and approved by NewRez, NewRez funds the Loan purchase. [See Chapter 12C Funding Requirements and Wire Instructions](#) of this Client Guide.

- For final documents, if applicable, see [Final Documents](#) section.
- Closing and Credit must be received on or before the Delivery Expiration Date

The following methods of delivery may be utilized:

- [Image Delivery](#)
- [Paper](#)

1. Submitting a Closed Loan through Image Central

For information on how to deliver image files using Image Central, access the [Training Center](#) (from the secured portion of our web site) link and view the Image Central Training Document.

- The upload images function will allow the import of the following types of documentation.
 - Appraisals
 - Credit file
 - Closing file
 - Credit and Closing files
 - Request for Funds/ Advance
 - Trailing/ Suspense Documents
- Submission of files for Simultaneous Transactions.
 - For Simultaneous Transactions, each Loan must have a separate upload
 - The File and appraisal must be uploaded twice, Client should select the first from the pipeline and upload, then go back into the pipeline select the second and upload
- Image files must be in PDF or TIFF formats only.
 - TIFF format should be multi-page (all file documents should be within one electronic file, typically Group IV TIFF format)
 - All file documents should be within one electronic file
- Appraisals must be in a PDF format and are limited to 5MB.
- Indexing or doc typing is not required.

2. SFTP/ Vendor Closed Loan File Delivery

For information on how to deliver image files using SFTP, access the [Methods of Delivery](#) Link.

- The following file types may be sent via SFTP for Closed Loan Submissions:
 1. Credit File
 2. Closing File
 3. Credit and Closing File
 4. Appraisal File (must be in a PDF format - no size restriction)
 5. Training/ Suspense Documents
 6. Condo Review Requests
- The file naming convention of the file being delivered is specific to the Department or area for which the file is submitted
- All Closed Loan submissions must have a workflow indicator of how to direct the file correctly
- Entering a different workflow will delay the identification and review of the loan or documentation
- If using a Vendor* for SFTP delivery be sure to contact the vendor regarding delivering files to NewRez for Closed Loan. Many Vendors have a drop down method where a client would select a specific file type when submitting the file.

3. Submitting a Closed Loan File through Overnight Mail

- Ship a complete full file (credit and closing) to:

NewRez LLC
1100 Virginia Drive, Suite 91
MC 190-FTW-M91
Fort Washington , PA 19034
Attn: Closed Loans

- If file contains simultaneous transactions, Client does not need to submit a separate file for a simultaneous second mortgage when both the first and second are being purchased by NewRez. When submitting a simultaneous transaction, include a separate folder containing the following items for the second mortgage:
 - Underwriting Approval and/or Clear to Close
 - Form 1003
 - Closing Documents
 - Any applicable disclosures.

The folder should be labeled and include the NewRez Loan number.

- Clients are encouraged to use the NewRez Delivery File Checklists when submitting Closed Loans for review and purchase.
- Using our [Delivery File Checklists](#) ensures submission of the required and correct documentation as applicable for product/program.
- [Delivery File Checklists](#), Right and Left side, can be found in the Forms Library.
- To help ensure accurate processing, Client should submit closed loan files identified with:
 - NewRez Loan number
 - Client ID and name
 - Borrower's name

4. Delivery of Original Notes:

- NewRez will require a Bailee Letter to be submitted with the delivery of the Original Note.
- Wire instructions will be required in lieu of the Bailee Letter on the following approved Exceptions:
 - Clients with Tri-Party agreements
 - Clients with a Master Bailee
 - Clients with a Regulated Financial Institution parent
 - Warehouse Banks not issuing Bailee Letters
- In these cases, Wire Instructions should be delivered with the Original Note.
- Original Notes and either the Bailee letter or Wire Instructions should be delivered to the following address:

Wells Fargo Corp Trust Services
1100 Virginia Drive
Ft. Washington PA 19034 -3276
Suite -190-FTW-30 Ste 100

5. Closed Loan Client - Credit File Submission for Underwriting

For information on how to deliver file for NewRez to Underwrite, access the [Prior Approval Delivery](#) section of this guide.

B1203 Closed Loan Suspense

- Image Central Suspense Submission:
 - Click on “Image Central” on the left hand side of the NewRez Web site.
 - Select the registered loan
 - Select Trailing Documents/ Suspense from the drop down list
 - For UW Conditions Select NewRez to UW = NO
 - Upload the appropriate TIFF or PDF for your suspense
- Suspense for CLC Audit and QCard may be submitted via Image Central or SFTP
- Once a Loan image file is uploaded for a prior approval or closed Loan file, supplemental documents such as suspense conditions may be uploaded regardless of where the file is in the review process.

On Non-Delegated VA Loans, NewRez will require the Original Certificate of Eligibility and the Original 1880 VA form, if applicable. A Certificate of Eligibility Coversheet must be included with all Original Certificates and 1880 Forms. Should the Original Certificate of Eligibility be automated, Client should provide confirmation of the automated certificate in their File Submission.

B1204 Required Original Documentation**Original Notes:**

Closed Loan:

- NewRez will require a Bailee Letter to be submitted with the delivery of the Original Note.
- Wire instructions will be required in lieu of the Bailee Letter on the following approved Exceptions:
 - Clients with Tri-Party agreements
 - Clients with a Master Bailee
 - Clients with a Regulated Financial Institution parent
 - Warehouse Banks not issuing Bailee Letters
- In these cases, Wire Instructions should be delivered with the Original Note.
- Original Notes and either the Bailee letter or Wire Instructions should be delivered to the following address:

Wells Fargo Corp Trust Services
1100 Virginia Drive
Ft. Washington PA 19034 -3276
Suite -190-FTW-30 Ste 100

Original Certificate of Eligibility and Original 1880 VA Form (if applicable):

- On Non-Delegated VA Loans, NewRez will require the Original Certificate of Eligibility and the Original 1880 VA form, if applicable.
- A Certificate of Eligibility Cover sheet must be included with all Original Certificates and 1880 Forms.
- Should the Original Certificate of Eligibility be automated, Client should provide confirmation of the automated certificate in their File Submission.

Final Documents

For information on how to deliver Final Documents, access the [Final Documents section of this Guide](#).

B1205 Final Documents

This chapter describes the process for Clients to deliver Final Documents to NewRez.

1. Delivery of Final Documents

- Client must include the Final Documentation Transmittal with the shipment of documents and the NewRez loan number on all final documents and communications regarding a loan.
- The loan number can be found on the Purchase Advice, at corr.newrezcorrespondent.com or on the outstanding document report.
- Client must deliver all final documents to NewRez for each loan sold within 120 days from the funding date

2. Original Recorded Documentation Exceptions

The final documents for each loan are the following original recorded documents (subject to the differences below):

- Security instrument and any required addenda or riders
- Intervening assignments, including any recorded assignment to MERS, if applicable
- Where the original security instrument or intervening assignment has been retained by the controlling jurisdiction: NewRez will accept a county certified copy, provided it contains an original certification by the judicial or other governmental authority of the jurisdiction where the security instrument was recorded.
- Consolidation, Extension, and Modification Agreement, if applicable
- Modification Agreement, if applicable
- UCC1/UCC3, if applicable
- Any other original recorded documents specific to the property type (e.g., condos, co-ops) and/or applicable to lien perfection
- Original or Copy of Title Insurance Policy or Short Form Title Policy
- For loans secured by mortgaged premises in the state of Iowa : Client must deliver an attorney's certificate of title in lieu of a title insurance policy

3. Final Documents Mailing Information

Client is solely responsible to ensure delivery of all final documents.

All final documents (recorded mortgages, recorded assignments and final title policies) are to be sent to Indecomm Global Services at the following address:

Indecomm Global Services
1427 Energy Park Drive
St. Paul, MN 55108
Mail Stop Code NR - 9915

All questions or inquiries regarding recorded mortgages, final title policies and assignments should be addressed to Indecomm NewRez.ViewPoint@Indecomm.net. Questions can also be directed to 651-766-2364.

Client must use the [Indecomm Transmittal](#) and include the Correspondent ID number, the NewRez loan number, borrower name and a list of documents being submitted. This information is to be emailed as an Excel spreadsheet to NewRez.ViewPoint@Indecomm.net and a hard copy is to be included in the submission package.

USDA Loan Note Guarantee Requirements:

Within the 30 days of the Note date, the Loan Note Guaranty must be uploaded to the loan as a trailing document either through the Business Lending website by selecting Trailing/ Suspense Docs or via a SFTP account using the Tdoc file type.

4. Receipt, Review and Acceptance of Final Document

NewRez will acknowledge its receipt of the complete final documents set, or any non-compliance with the final documents requirements, using its final documents report system through telephone, email or at corr.newrezcorrespondent.com.

NewRez will review all final documents for compliance with this Client Guide and the terms of the commitment. NewRez may provide Client with a written demand requiring corrections or additional final documents. Client must respond with the corrected or additional final documents within the timeframe specified in the written demand.

Client's failure to deliver within the designated time may give cause for NewRez, at its option, to instigate any or all of the following:

- Suspend Client's approval status
- Declare a default for the affected Loans and demand repurchase
- Declare a general default under the terms of this Client Guide
- Charge penalty fees up to and including all costs incurred by Client to obtain missing documents
- If final documents are not received within 120 days of the purchase date, then the Correspondent is charged \$125 for late final docs.

5. Extensions for Final Document Delivery Period

NewRez is generally unwilling to grant extensions to the time period for delivery of final documents, as such extensions may conflict with NewRez's further obligations to others and subject NewRez to potential losses due to its own late delivery to others. Therefore, NewRez grants extensions to final document delivery periods only for extraordinary reasons, and NewRez may condition its extensions subject to assessments of further fees to accommodate NewRez's potential losses due to the late delivery. NewRez has the discretion to decide whether the circumstances warrant an extension and will determine the length of any extensions granted Client.

Client's initial request for an extension for time to deliver final documents must be submitted in writing to NewRez before the expiration of the initial delivery period (generally 120 days from the funding date), and must detail the reasons for the delay, which of the final documents will not be delivered within the initial delivery period, and an estimated time for delivery. Clearly mark the package that it contains a request for extension and mail to the address listed in the Final Documents Mailing Information section in this chapter. All extension requests must be mailed to the following address:

NewRez LLC
1100 Virginia Drive
MC 190-FTW-M95
Fort Washington, PA 19034
Attention: CRT/Corresponding Lending Channel

If NewRez has already granted a request for an extension, Client may request a further extension for time to deliver final documents. The request must be submitted in writing to NewRez before the expiration of the extended delivery period as previously granted by NewRez, and must detail the reasons for the delay, which of the final documents will not be delivered within the extended delivery period, and an estimated time for delivery.

Once any period to deliver final documents has expired without an extension having been granted, NewRez will not consider any further requests for extensions. Client must ensure that its requests for extensions are communicated to NewRez prior to the expiration of a delivery period and with enough time for NewRez to consider the request, since Client is solely responsible to ensure that the delivery has been completed or an extension has been granted prior to the end of a delivery period.

No extensions for time to deliver final documents are deemed to be granted by NewRez unless NewRez has expressly granted such extension in writing delivered to Client.

For final title policies, recorded mortgages and assignments; if the 120 day contractual agreement cannot be adhered to because of county turn times, document corrections, etc. loan level status updates are to be provided to NewRez.ViewPoint@Indecomm.net with an anticipated delivery date.

6. Further Assurance Documents

In order to allow NewRez to receive the full intended benefit of the purchase of the loan, NewRez reserves the right to demand delivery of further documents over and above the standard Final Document set where reasonably determined by NewRez to be necessary for either:

- NewRez's or a subsequent owner's enforcement of the mortgage
- NewRez's ability to resell or securitize the loan, or
- The servicing of the loan (the "Further Assurance Documents")

NewRez may make demands on Client for Further Assurance Documents at any time after NewRez has accepted the final documents. Client must provide those Further Assurance Documents that are in Client's possession or control, or which are reasonably obtained by Client, within 15 days of NewRez's demand. If Client is unable to comply with a demand for Further Assurance Documents, Client shall promptly give written notice to NewRez with all reasons known to Client regarding its inability to comply with the demand.

Client's failure to properly comply with a demand for Further Assurance Document may give cause for NewRez, at its option, to instigate any or all of the following:

- Suspend Client's approval status
- Declare a default for the affected Loans and demand repurchase
- Declare a general default under the terms of this Client Guide

B1206 Post Funding

Post Funding Adjustments

- NewRez's Post Funding Support Team will work directly with the client to resolve any funding issue
- A Post Funding Adjustment may be a refund to the Client or to NewRez due to payment or interest issues, pricing or fee errors and escrow impounds
- The client must complete the Request for an [Adjustment form](#) located in the Forms Library online. The completed form along with any support documentation must be uploaded to **Image Central** under the PFA – Post Funding Adjustments Document type.
- Any question or follow up requests after upload of a loan, can be emailed to PostFundingAdjustmentsMailbox.FTW@newrez.com.

Servicing – Hazard/ Flood Loss Payee (Mortgagee Clause)

Shellpoint Mortgage Servicing
ISAOA ATIMA
PO BOX 7050
Troy MI 48007-7050

Servicing – Payment mailing addresses

NewRez
Attn: Payment Processing
55 Beattie Place
Suite 500, MS-501
Greenville SC 29601

Servicing – Overnight mailing addresses

NewRez
Attn: Payment Processing
55 Beattie Place
Suite 500, MS-501
Greenville SC 29601

Servicing – Misdirected Payment and Principal Curtailments (Priority Overnight Mail ONLY)

NewRez
Attn: Payment Processing
55 Beattie Place
Suite 500, MS-501
Greenville SC 29601

This address is only for payments or principal curtailments submitted to servicing by NewRez Correspondent clients.

Chapter 12C Funding Requirements and Wire Instructions

This chapter describes NewRez's processes to wire transfer payments to Client for funded Mortgage Loans purchased by NewRez, and procedures for complying with Clients' remittance obligations.

C1200 Holidays

The federally recognized holidays in section 6103(a) of title 5, of the United States Code at the time of publication of this Client Guide are as follows:

- New Year's Day
- Martin Luther King, Jr. Day
- Washington's Birthday
- Memorial Day
- Independence Day
- Labor Day
- Columbus Day
- Veterans Day
- Thanksgiving Day
- Christmas Day

On federal holidays, banks and the U.S. Postal Service do not operate and wire transfers of funds do not occur. Federal holidays are not included in the rescission period on refinance transactions. NewRez's Wire Desk is closed on all federal holidays. Any funds that would otherwise be due for wiring on a federal holiday will be wired on the following business day.

Apart from the Wire Desk schedule noted above, NewRez observes the following holidays:

- New Year's Day
- Martin Luther King, Jr. Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Christmas Day

C1201 Purchase Mortgage Loans at Scheduled Balance

NewRez assumes Client will collect scheduled payments that have already become due.

For Loans purchased fewer than 15 days prior to the next payment due, NewRez will amortize down one more payment so the scheduled purchase balance is lower than the current unpaid principal balance. A pay history is required after two payments.

For scheduled balance Loans funded between the 1st and 15th day of the month, the Effective Date of Transfer is the 1st day of the following month. For Loans funded after the 15th day of the month, the Effective Date of Transfer is the 1st day of the second month following the Sale Date. It is Client's responsibility to continue servicing the loan and collecting payments up to the Effective Date of Transfer and to forward all curtailments received during this time.

A. Scheduled Balance

For Loans purchased fewer than 15 days prior to the next payment due, NewRez will amortize down one more payment so the scheduled purchase balance is lower than the current unpaid principal balance. A pay history is required after one payment.

B. Effective Date of Transfer

The Effective Date of Transfer is determined by the type of purchase balance at funding. For scheduled balance Loans funded between the 1st and 15th day of the month, the Effective Date of Transfer is the 1st day of the following month. For Loans funded after the 15th day of the month, the Effective Date of Transfer is the 1st day of the second month following the Sale Date. It is Client's responsibility to continue servicing the Loan and collecting payments up to the Effective Date of Transfer and to forward all curtailments received during this time.

Original Balance funded Loans, as well as second mortgages, will transfer immediately.

C1202 Wire Transfer Process

Prior to wiring funds to Client, NewRez will review the Funding Documents and make a determination regarding completeness and accuracy. If NewRez agrees the delivery is complete and accurate, the following occurs:

1. Using Client's wire instructions, NewRez wires the agreed-upon funds to Client. NewRez will make commercially reasonable efforts to initiate each wire transfer in sufficient time to credit Client's account on the scheduled Funding Date.
2. Client may view the Purchase Advice at corr.newrezcorrespondent.com on the day of funding. The Purchase Advice will itemize the payments in a funding wire. Clients may access a Purchase Advice for Loans that fund on that day or for historical purposes. A Purchase Advice will remain on the website for approximately one year after funding.
3. Any fees due to NewRez will be netted from the wired funds (e.g.: Underwriting fee; Funding fee; Standard Flood Hazard Determination fee; MERS fee; Tax Service Fee; or Interest charges).

Client is solely responsible for the Purchase Advice reconciliation. Client must notify NewRez of any disputes immediately upon discovery. Client must deliver any request to NewRez for corrections to payments due to Client within 30 days of the due date, or the right to pursue such disputes will be deemed waived by Client.

C1203 Returning Funds to NewRez

To inquire about returning funds to NewRez, please email CorrespondentInvoiceMailbox.FTW@newrez.com.

C1204 Principal Curtailment Policy**Lender Paid Transactions**

On transactions where the loan originator is paid by the lender, NewRez will permit a Principal Curtailment on purchase and refinance loans unless noted below as a result of excess premium rate credit. The excess premium must be identified on the Closing Disclosure Settlement Statement and is limited to the amount of the excess premium rate credit below. The premium rate credit is the amount associated with the lowest pricing rate option that allows for some or all of the borrower's closing costs to be paid so the borrower does not have to pay those closing costs out of pocket.

- If the premium rate credit is less than or equal to \$2,000 for loan amounts up to \$350,000, or \$4,000 for loans amounts exceeding \$350,000, then no further documentation is required.

- For premium credits exceeding these thresholds, evidence that the next lower pricing option would require the borrower to pay closing costs out of pocket must be documented in the file (Loan Estimate, Pricing/Rate sheet, etc.).

If the borrower was not provided with the best rate, the loan is not eligible to be closed or purchased by NewRez.

If the program permits, the borrower may also receive cash back within program guidelines in addition to the amount of the curtailment. Please check your product summary for cash back eligibility criteria.

As a reminder, DU Refi Plus product with excess premium rate credit are limited to the lesser of 2% or \$2,000 principal curtailment and are excluded from the policy above.

NewRez does not require clients to send in a check for principal curtailments. The principal curtailment amount will be netted from the wire when the loan is purchased. As a reminder, the curtailment amount must meet program parameters.

Chapter 13 Delivery/Funding Options

Chapter 13 provides an overview of the funding options available from NewRez.

Section I. Closed Loan

Complete loan files (loans in a purchasable format) should be received by NewRez no later than the **Delivery Expiration Date**.

On-line reports to review deliveries, suspense and fundings are available on our website at corr.newrezcorrespondent.com under reports. Loans received after the Delivery Expiration Date are at risk for re-pricing.

1300 Operations Client Manager

Every Correspondent is assigned an Operations Client Manager, this person is available to you for delivery questions, status questions on files or suspense, training, questions on closings prior to delivering to NewRez. They will handle status on all loans delivered to NewRez regardless of commitment type or funding option. If you are unaware of who is assigned to you please contact your regional account manager.

1301 Government Insuring Policy

For all loans NewRez underwrites and subsequently approves, NewRez will submit the loan for insurance to FHA and VA. For loans underwritten by a NewRez FHA Delegated correspondent, the delegated correspondent is responsible for submitting the loan for insurance. Loans must be insured within 60 days following the date of loan closing. Client is responsible for submitting the UFMIP or VA funding fee.

This policy also applies to any client who is approved and authorized under the Agent Principal relationship or is in their Test Case phase. If NewRez Underwrites the loan, NewRez will submit the loan for insurance, otherwise, the correspondent is responsible for insuring the loan.

NewRez will audit FHA Connection to validate the fee has been paid prior to purchasing the loan for all other transactions.

1302 Payment History

Payment histories are required when:

- The borrower makes a curtailment payment to the Client prior to NewRez purchasing the loan.
- Two (2) payments have passed.
- Payment history must include:
 - Escrow balance
 - Any disbursements made
 - Date payments received
 - Amount of payments and disbursement of payments
 - Unpaid principal balance

1303 Purchasing Balance

Loans that are purchased by NewRez 15 days prior to the 1st payment, NewRez will assume that Client is collecting the payment and purchase at an amortized balance. Once two payment periods have passed, a payment history will be required.

Section II. General**1304 Fees**

The Correspondent Fee Schedule is located in the Forms Library.

1305 Programs and other loan Changes

Program changes on locked loans will be subject to the worst of rate and price on the original lock date or current market.

Client is responsible for notifying NewRez of any change in loan information that will change the locked price. The loan will be re-priced using the new information based upon the appropriate Rate sheet & adjustments.

If the loan is scheduled to close and fund with different information that has affected the price without prior notification, it will be subject to the applicable adjustment at funding. These changes will be reflected on the updated confirmation available online and on the purchase advice.

1306 Suspense

When additional information or documentation is needed prior to NewRez purchasing the loan, you will be notified by:

- Suspense Report can be obtained daily via our web site at corr.newrezcorrespondent.com
- Suspense Report is real time, updated continuously throughout the day
- This report will advise the Correspondent of the loan's discrepancy and state what is required to approve the loan for purchase.
- If the information or documentation needed for NewRez to purchase the loan not received within our timeframe stated in our Pricing section of our manual you may incur late fees.
- Daily email notification

In the event of any delay in obtaining the information or documentation needed, please call us immediately.

1307 Purchase Advice

Once a purchase advice is generated, it will be posted to our web site for your access at: corr.newrezcorrespondent.com

Chapter 14 Post Funding Administration

This chapter describes the process to wire transfer payments to the Client for funded mortgage loans purchased by NewRez, and the processes for complying with Client's remittance obligations.

1400 Post Funding Adjustments

A. Post Funding Adjustments

A post funding adjustment (PFA) is generally a refund of monies owed to Client or payable to NewRez due to a discrepancy in the purchase wire transaction (payment issues, pricing errors, or escrow impounds).

B. Requesting a Post Funding Adjustment

To request a PFA:

- Complete the Request for an Adjustment to Purchase Advice
- Upload the Request for an Adjustment to Purchase Advice and all supporting documentation to **Image Central** under the PFA – Post Funding Adjustments Document type.
- This documentation will be received through image and placed in receipt order in our pipeline.
- Client may also email any questions or follow up inquiries to PostFundingAdjustmentsMailbox.FTW@newrez.com.

C. Post Funding Adjustment Process within the Post Funding Support Team

As part of the PFA process, NewRez will:

- Review all inquiries regarding PFA requests
- Research and validate adjustments and communicate the disposition of these adjustments directly to the affected party or parties
- Initiate correction of data to all systems, including Borrower's accounts

D. Post Funding Adjustment Process within the Correspondent Invoice Team

As part of the regular statement/invoice process, NewRez will:

- Capture all resolved PFAs on a recurring basis
- Net funds due to NewRez and funds due to Client
- Remit wires to Client for net funds payable
- Add the PFAs to the monthly billing statement for all net funds due NewRez

Client should not remit individual checks for each PFA. Instead, Client should forward a payment for the net funds due amount as reflected in the month end invoice that will follow via email to your designated contact to the following address:

NewRez LLC
1100 Virginia Drive
MC 190-FTW-G10 - Correspondent Invoice
Fort Washington, PA 19034

E. Post Funding Support Team Members

Specific questions regarding the status of a pending Request for an Adjustment to Purchase Advice can be directed to the Post Funding Support Team by email to PostFundingAdjustmentsMailbox.FTW@newrez.com.

1401 Taxes for First Mortgages

- Any taxes due within 60 days of settlement must be paid by the Client and shown on the Closing Disclosure.
- Any taxes due within 30 days after the NewRez Purchase Date must have been paid by Client and proof of payment must be reflected on a payment history either included in the closing file or provided to the Post Funding Adjustments team for reimbursement after purchase has taken place.
- Any taxes due on loans that are in suspense must be paid by Client and proof of payment must be reflected on the payment history.
- The Aggregate Accounting Method must be used for all loans to determine the escrow accounts.

NewRez will net the dollar amount disclosed on the Closing Disclosure or payment history for escrow funds from the wire.

- Excess escrow identified after NewRez has purchased a loan must be reported to the Post Funding Adjustment team at PostFundingAdjustmentsMailbox.FTW@newrez.com. Information on how the funds will be recovered will be provided. See also section 1400 Post Funding Adjustments.

1402 Tax Claims Process**A. Delinquent Taxes or Assessments**

Client is responsible for reimbursing NewRez for any penalties or late fees from delinquent taxes or assessments incurred by NewRez because of installments that were:

- found to be unpaid prior to close, or
- found to be collected on the HUD but not paid to tax entity *[both base and penalty funds would apply here]*, or
- due while a loan was held in suspense and left unpaid before the loan was purchased by NewRez, or
- due within 60 days after closing date and not withheld in escrow by client or their title agent for remittance, or
- due within 30 days after NewRez purchase date and not withheld in escrow by client or their title agent for remittance, or
- paid late by NewRez due to having received incomplete or incorrect tax information and/or legal description needed to conduct our tax search

Discounts Due dates where offered must always be used by the Client's title company/closing attorney conducting the settlement. Clients are responsible for ensuring the Discount Due dates are identified and used when ensuring taxes are paid within the above requirements. In areas where a Discount period is *not available*, the Tax Due Date utilized on our servicing system will be the last day to pay *before* a penalty is incurred.

All tax amounts that were due within 60 days from closing must have been paid or monies held for later payment by the title company/closing attorney. This information must be reflected on the Tax Certification form and included in the loan file when submitted for purchase. Tax amounts due while the loan is still in suspense or that are due within 30 days of the Purchase Date must be paid by the Client with evidence of the tax payment provided to NewRez either prior to purchase for net funding or by submitting a request to the Post Funding Support team after purchase for reimbursement.

Late tax remittances made by NewRez resulting in additional loss/penalties to the borrower due to a Client not meeting the above timeframe responsibilities are included in a Tax Claims report sent to the Post Funding Support team monthly. All documentation provided by our Tax Department is filtered to ascertain responsibility for the claim reimbursement. On those loans where the claim amounts are determined to be the responsibility of Client or title company, repayment of these amounts to NewRez will then be requested on the Client's month end invoice.

B. Incorrect or Incomplete Legal Descriptions or Tax Information

Client is responsible for reimbursing NewRez for any unrecoverable property tax remittances made by NewRez that were made on an a wrong property parcel obtained in tax search from having received incomplete or incorrect legal description and/or tax information from the Client in the purchase file. Clients are responsible for our losses when:

- funds were not remitted timely by NewRez due to receipt of an incomplete or missing legal description
- funds were remitted incorrectly by NewRez due to receipt of an incorrect legal description and our remittance was unrecoverable
- incorrect or missing tax figures were provided on a tax information or tax cert form

Missing or incomplete legal descriptions not located within the closing package are reported back through the Post Funding Support team in attempt to resolve before a tax search is conducted. Clients are then requested to provide a correct legal description as soon as possible to prevent delayed remittance and penalties as a result of delay. However, if any penalties are incurred once resolved and correct remittance is released, these losses will be the responsibility of the Client.

Incorrect remittances made by NewRez that are unrecoverable or delayed remittances made by NewRez resulting in penalties are included in a Tax Claims report sent to the Post Funding Adjustment team monthly. All documentation provided by our Tax Department is filtered to ascertain responsibility for the claim reimbursement. On those loans where the claim amounts are determined to be the responsibility of Client or title company, repayment of these amounts to NewRez will then be requested on the Client's month end invoice.

Chapter 15 Disaster Policy

1500 Overview

When a property is located in a Federal Emergency Management Agency (FEMA) Declared Disaster Area receiving individual assistance funds, verify the structure is sound and not negatively impacted by the Disaster, including those transactions exercising an appraisal waiver or automated collateral evaluation. This must be verified prior to closing or purchasing the loan.

Refer to the list of affected counties published by FEMA at the following link: <http://www.fema.gov/disasters>

- If the county is indicated as being in a declared disaster area receiving individual assistance funds, the policy must be adhered to.
- The Disasters are referenced with both an incident start date and an incident end date, known as the “Incident Period”. The property is considered potentially impacted for 90 days from the Incident Period END date or date to which FEMA may extend the expiration of the disaster. The disaster “declaration date” is the date in which FEMA announces the Presidentially Declared Disaster and any aid has been made available.

1501 Conforming Disaster Policy

Conventional ¹		
If the effective date of the appraisal or appraisal alternative was.....	And the original appraisal requirement was.....	The following requirements apply:
On or prior to the disaster “Incident Period” end date	Standard (Full) appraisal	Exterior inspection with photos evidencing the property is free from damage and the disaster had no effect on the value or marketability. If the property inspection reveals more than minor cosmetic damage ² , a new interior appraisal is required and all damage must be repaired prior to closing and/or purchase by NewRez.
After the “Incident Period” end date	Standard (Full) appraisal	An additional subsequent inspection is not required unless otherwise noted by the appraiser.
The day after the “Incident Period” end date up to the expiration date of the disaster (90 days from the end of the “Incident Period” to the note date), regardless of AUS submission date	Appraisal Waiver, ACE or another reduced appraisal type (per DU/LPA)	Exterior inspection with photos evidencing the property is free from damage and the disaster had no effect on the value or marketability. If the property inspection reveals more than minor cosmetic damage ² , a new interior appraisal is required, and all damage must be repaired prior to closing and/or purchase by NewRez.

¹Refer to Non-Agency product profiles for any investor specific requirements

² Minor cosmetic damage is defined as damage that would not warrant an insurance claim and so minor as not to impact the safety, soundness, structural integrity, security or preservation of the property. Minor cosmetic damage examples include but are not limited to

- Landscaping damage
- Cracked or damaged exit doors
- Marred paint surfaces
- Cracked window glass

1502 FHA and USDA Disaster Policy

FHA and USDA	
Appraisal completed on or prior to the disaster "Incident Period" end date	<p>The original appraiser or another FHA Roster Appraiser must re-inspect the property and include the following:</p> <ul style="list-style-type: none"> • Interior/Exterior inspection with photos, dated after the Incident Period end date or 14 days from the Incident Period start date, whichever is earlier • A statement as to the dwelling habitability • Property is free from damage and has not sustained any flooding and/or windstorm damage. • A statement as to whether sustained damage is above or below \$5000. <p>If the re-inspection indicates damage below \$5000 and the property is habitable, must meet one of the following prior to closing the loan:</p> <ul style="list-style-type: none"> • A re-inspection showing that repairs have been completed, OR • Established repair escrow (Refer to NewRez's Escrow Holdback policy). <p>If the re-inspection indicates damage above \$5000 or the property is not habitable, the following must be met prior to closing the loan:</p> <ul style="list-style-type: none"> • An interior/exterior re-inspection showing that the repairs have been completed. • Appraiser must state that the property is habitable.
Appraisal completed the day after the "Incident Period" end date (or 14 days from the Incident Period start date, whichever is earlier), up to the expiration date of the disaster (90 days from the end of the "Incident Period")	<p>Full appraisal with interior/exterior inspection required. Appraiser must address the physical condition of the site and improvements as well as the impact of any damages to the property value and marketability if the inspection occurs within 90 days of the incident end period.</p> <p>The appraiser must include the following:</p> <ul style="list-style-type: none"> • Interior/Exterior inspection with photos • A statement as to the dwelling habitability • Property is free from damage and has not sustained any flooding and/or windstorm damage. • A statement as to whether sustained damage is above or below \$5000. <p>If the appraisal indicates damage below \$5000 and the property is habitable, must meet one of the following prior to closing the loan:</p> <ul style="list-style-type: none"> • A re-inspection showing that repairs have been completed, OR • Established repair escrow (Refer to NewRez's Escrow Holdback policy). <p>If the appraisal indicates damage above \$5000 or the property is not habitable, the following must be met prior to closing the loan:</p> <ul style="list-style-type: none"> • An interior/exterior re-inspection showing that the repairs have been completed. • Appraiser must state that the property is habitable.
FHA Streamline Refinance (No appraisal)	No inspection required.

1503 VA Disaster Policy

VA	
Appraisal completed on or prior to the disaster "Incident Period" end date	<p>Exterior inspection performed by a VA approved appraiser is required. Appraiser must address the physical condition of the site and improvements as well as the impact of any damages to the property value and marketability and if damage is noted an interior inspection must also be performed.</p> <p>The following items must be submitted with the VA guaranty request:</p> <p>Lender Certification, signed and dated</p> <ul style="list-style-type: none"> This is to affirm that the property which is security for VA loan number _____ has been inspected to ensure that it was either not damaged in the recently declared disaster or has been restored to its pre-disaster condition or better. <p>Veteran Certification, signed and dated</p> <ul style="list-style-type: none"> I have inspected the property located at _____ and find its condition now to be acceptable to me. I understand that I will not be charged for any disaster-related expenses and now wish to close the loan. <p>Employment/Income Certification Confirm prior to closing that the Veteran's employment and income have not changed since the loan application. If at time of closing the Veteran or co-borrower is no longer employed or income has been reduced, this information should be reported to VA or the automatic underwriter, as appropriate, for evaluation prior to closing.</p> <p>VA Loan Summary Sheet (VA Form 26-0286). The Remarks section of this form must be annotated 'Lender and Veteran Disaster Certifications Enclosed'. Additionally, if local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local report(s) must be provided. Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspection or repairs.</p> <p>Decline in Value. If there is an indication that the property, despite repairs, will be worth less at the time of loan closing than it was at the time of appraisal, the lender must have the VA appraiser update the original value estimate. The payment of the appraiser's fee for that service will be a contractual matter between the buyer and seller.</p> <ul style="list-style-type: none"> If the property value has decreased, the loan amount must be reduced accordingly.
Appraisal completed the day after the "Incident Period" end date up to the expiration date of the disaster (90 days from the end of the "Incident Period")	Full appraisal with interior and exterior inspection required. Appraiser must address the physical condition of the site and improvements as well as the impact of any damages to the property value and marketability if the inspection occurs within 90-days of the disaster end period.
VA IRRRL (No appraisal)	No inspection is required.

Chapter 16 Escrow Policy**1600 Conforming Escrow Policy**

Escrow for postponed improvements is permitted on a limited, as needed basis and must be approved by the Delegated Correspondent or by a NewRez underwriter for a Non-Delegated Client, when applicable.

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

A. Existing Construction**1. Minor Deferred Maintenance**

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

If the appraiser completes the appraisal "subject to repairs" for minor deferred maintenance, an escrow for repairs may not be established. Repairs must be completed as required by the appraiser.

2. Safety, Soundness and Structural Related Repairs

Repairs or incomplete items or conditions that affect the safety, soundness, or the structural integrity of the property must be completed prior to closing. The appraiser must appraise the property "subject to completion" of the repairs. These items include a partially completed addition or renovation, or physical deficiencies that could affect the safety, soundness or structural integrity of the improvements, including but not limited to cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, or inadequate electrical service or plumbing fixtures. A certificate of completion from the appraiser must be obtained prior to closing. Photographs are not required unless those that accompanied the original appraisal report are no longer representative of the completed property.

B. New or Proposed Construction

NewRez will accept loans with postponed improvements subject to compliance with the following:

- The postponed improvements must be completed within 180 days of the date of the Note. Acceptable postponed items include items that:
 - Are part of the sales contract (third-party contracts are not permitted).
 - Are postponed for a valid reason, such as inclement weather or a shortage of building materials.
 - Do not affect the ability to obtain an occupancy permit.
- A certification of completion must be obtained to verify the work was completed and must:
 - Be completed by the appraiser.
 - State that the improvements were completed in accordance with the requirements and conditions in the original appraisal report.
 - Be accompanied by photographs of the completed improvements.

- The cost of completing the improvements must not exceed 10% of the "as completed" value of the property.
- The appraiser must confirm that the cost estimate of the repairs is reasonable.
- The mortgage insurance and title insurance may not be adversely affected during or after the time the completion escrow is in effect.

C. Establishing an Escrow

The following steps must be taken to establish an escrow account:

- A minimum of 120% of the cost for completing the improvements must be held in escrow. However, if the contractor or builder offers a guaranteed fixed-price contract for completion of the improvements, the funds in the completion escrow only need to equal the full amount of the contract price.
- A title company or any other party may hold the escrow holdback funds and must be reflected on the Closing Disclosure. The request for release of the funds is sent directly to the Title Company or party holding escrow funds and not NewRez.
- The Title/Closing agent must collect the final inspection fee at closing to cover the cost of the inspection following completion of the work.
- A fully executed Escrow Agreement is required reflecting agent to hold escrow funds in an amount of 120% or 100% (when applicable) of the agreed repair amount and a listing of all required repairs:
 - All parties must sign this agreement which identifies their rights, duties and obligations, including but not limited to the Delegated Client, borrower(s), Closing Agent, and NewRez.
 - If the repairs are not completed in a timely and professional manner to NewRez's reasonable satisfaction, the escrow funds may be used to complete the repairs. Once repairs are properly completed, the remaining funds must be returned to the designated party.

D. Completion Certification

Once the Correspondent receives notification that the repairs are complete, an inspection must be ordered with the results reported on [Fannie Mae Form 1004D/Freddie Mac Form 442](#). Inspections are required on all escrow releases.

E. Follow-Up Procedures to Clear Suspense

Forward the final inspection report [Fannie Mae Form 1004D/Freddie Mac Form 442](#) completed by the original appraiser indicating all repairs from the original appraisal and escrow agreement are complete and acceptable. Forward to PostFundingAdjustmentsMailbox.FTW@newrez.com.

A final title report must be provided, which must not show any outstanding mechanic's liens, take any exceptions to the postponed improvement, or take any exceptions to the escrow agreement. If the final title report is issued before the completion of the improvements, obtain an endorsement to the title policy that ensures the priority of the first mortgage lien.

F. MA Title 5 Repair Escrow

A MA Title 5 repair escrow is permitted subject to the following:

- A satisfactory septic certification verifying the current system is operational.
- A copy of the contract verifying the cost of the septic improvement to comply with MA Title 5 requirements.
- A minimum of 150% of the cost for completing the improvements must be held in escrow, collected and held by the title company.

With the exception of the amount to be held in escrow, follow the above requirements for Establishing an Escrow, Completion Certification and Follow-Up Procedures to Clear Suspense.

1601 FHA Escrow Policy

Escrow for postponed improvements is permitted on a limited, as needed basis and must be approved by the Delegated Correspondent or by a NewRez underwriter for a Non-Delegated Client, when applicable.

The cost of repairs and improvements may be added to the sales price before calculating the mortgage amount when:

- Required by the appraiser as essential for property eligibility
- Agreement of sale indicates that repairs are to be paid for by the borrower
- LTV/CLTV is based upon the lesser of the sales price plus cost of repairs or the appraised value

A. Eligibility to Establish an Escrow

- The deferred work cannot be acceptably completed prior to loan closing due to adverse weather conditions
- The subject dwelling and property is habitable, safe and sound

B. Establishing an Escrow

If adverse weather conditions prevent completion of certain Minimum Property Requirement (MPR) repairs prior to closing, funds may be escrowed to pay for completion of the work after closing.

- A minimum of 150% of the cost for completing the improvements must be held in escrow
- Cost of the final inspection must be collected at closing in the escrow holdback funds to cover the cost of the inspection following completion of the work
- The escrow funds must be reflected on the Closing Disclosure
- Completion will be within six months of closing date
- FHA insurance will be obtained with Mortgagee's Assurance of Completion ([form HUD-92300](#)).
- Delegated Client must
 - Assume the obligation to satisfactorily complete the repairs or improvements, regardless of the adequacy of the funds reserved in escrow.
 - Be the holder of the escrowed funds
- Non-Delegated Clients
 - NewRez assumes the obligation to satisfactorily complete the repairs or improvements, regardless of the adequacy of the funds reserved in escrow
 - NewRez must be the holder of the escrowed funds

The following documentation must be submitted with loan purchase package:

- Copy of executed Mortgagee's Assurance of Completion ([form HUD-92300](#))
- Borrower signed escrow holdback agreement
- Cost estimates

C. Completion Certification

Satisfactory completion of repairs must be evidenced by one of the following:

- Part B of [Fannie Mae Form 1004D/Freddie Mac Form 442 Appraisal Update and/or Completion Report](#)
- Compliance Inspection Report ([form HUD-92051](#))

- Certification from a “qualified” professional on their company form or letterhead

Once work is completed, Clients are required to forward escrow close out documentation to the PostFundingAdjustmentsMailbox.FTW@newrez.com mailbox.

D. MA Title 5 Repair Escrow

A MA Title 5 repair escrow is permitted subject to the following:

- A satisfactory septic certification verifying the current system is operational
- A copy of the contract verifying the cost of the septic improvement to comply with MA Title 5 requirements
- A minimum of 150% of the cost for completing the improvements must be held in escrow, collected and held by the title company

Follow the above requirements for Escrow Eligibility, Establishing an Escrow and Completion Certification.

1602 VA Escrow Policy

Escrow for postponed improvements is permitted on a limited, as needed basis and must be approved by the Delegated Correspondent or by a NewRez underwriter for a Non-Delegated Client, when applicable.

A. Eligibility to Establish an Escrow

- The deferred work cannot be acceptably completed prior to loan closing due to adverse weather conditions.
- The subject dwelling and property is habitable, safe and sound.

B. Establishing an Escrow

If adverse weather conditions prevent completion of certain Minimum Property Requirement (MPR) repairs prior to closing, funds may be escrowed to pay for completion of the work after closing.

- A minimum of 150% of the cost for completing the improvements must be held in escrow
- Cost of the final inspection must be collected at closing in the escrow holdback funds to cover the cost of the inspection following completion of the work
- The escrow funds must be reflected on the Closing Disclosure
- Completion will be within 90 days of the closing date
- The veteran-borrower signs the escrow holdback agreement
- VA Guaranty will be issued with unfinished work
- Delegated Client must:
 - Assume the obligation to satisfactorily complete the repairs or improvements, regardless of the adequacy of the funds reserved in escrow.
 - Be the holder of the escrowed funds
- Non-Delegated Clients:
 - NewRez assumes the obligation to satisfactorily complete the repairs or improvements, regardless of the adequacy of the funds reserved in escrow
 - NewRez must be the holder of the escrowed funds

The following documentation must be submitted with loan purchase package:

- Borrower signed escrow holdback agreement.
- Cost estimates.
- Completed Escrow Agreement for Postponed Exterior On site Improvements ([VA Form 26-1849](#)).

C. Completion Certification

Satisfactory completion of repairs must be evidence by one of the following:

- Part B of [Fannie Mae Form 1004D/Freddie Mac Form 442 Appraisal Update and/or Completion Report](#).
- Appraiser statement on their Letterhead
- Certification from a qualified professional on their company form or letterhead
- Signed statement from the veteran-purchaser that he or she is satisfied with the work

Once work is completed, Clients are required to forward escrow close out documentation to the PostFundingAdjustmentsMailbox.FTW@newrez.com mailbox.

D. MA Title 5 Repair Escrow

A MA Title 5 repair escrow is permitted subject to the following:

- A satisfactory septic certification verifying the current system is operational
- A copy of the contract verifying the cost of the septic improvement to comply with MA Title 5 requirements
- A minimum of 150% of the cost for completing the improvements must be held in escrow, collected and held by the title company

Follow the above requirements for Escrow Eligibility, Establishing an Escrow and Completion Certification.

1603 USDA Escrow Policy

Escrow for postponed improvements is permitted on a limited, as needed basis and must be approved by the Delegated Correspondent or NewRez underwriter, when applicable.

A. Eligibility to Establish an Escrow

- The deferred work cannot be acceptably completed prior to loan closing due to adverse weather conditions.
- The deferred work cannot affect the livability of the structure.
- The subject dwelling and property is habitable, safe and sound.

B. Establishing an Escrow

If adverse weather conditions prevent completion of certain Minimum Property Requirement (MPR) repairs prior to closing, funds may be escrowed by Delegated Clients to pay for completion of the work after closing.

- The cost of the remaining work is not greater than 10% of the final loan amount
- A minimum of 100% of the cost for completing the improvements must be held in escrow.
- There is a signed contract between the borrower and contractor for the proposed work.
- Cost of the final inspection must be collected at closing in the escrow holdback funds to cover the cost of the inspection following completion of the work.
- The escrow funds must be reflected on the Closing Disclosure.
- Completion will be within six months of closing date.
- Delegated Client assumes the obligation to satisfactorily complete the repairs or improvements, regardless of the adequacy of the funds reserved in escrow.
- The escrow account is established in a federally supervised financial institution.
- An inspection report certifying completion of the repairs is required and must:
 - Be completed by the appraiser and appraiser signs the completion report.
 - State that the improvements were completed in accordance with the requirements of the appraisal report.
 - Contain photographs of the completed improvements.

The following documentation must be submitted with loan purchase package:

- Inspection certification of completion of repairs
- Borrower signed escrow holdback agreement
- Cost estimates

C. Completion Certification

Satisfactory completion of repairs must be evidenced by one of the following:

- Part B of [Fannie Mae Form 1004D/Freddie Mac Form 442 Appraisal Update and/or Completion Report](#).
- Compliance Inspection Report ([form HUD-92051](#)).
- Certification from a qualified professional on their company form or letterhead.

Once work is completed, Clients are required to forward escrow close out documentation to the PostFundingAdjustmentsMailbox.FTW@newrez.com mailbox.

D. MA Title 5 Repair Escrow

A MA Title 5 repair escrow is permitted subject to the following:

- A satisfactory septic certification verifying the current system is operational.
- A copy of the contract verifying the cost of the septic improvement to comply with MA Title 5 requirements.
- A minimum of 150% of the cost for completing the improvements must be held in escrow.

Follow the above requirements for Escrow Eligibility, Establishing an Escrow and Completion Certification.

Chapter 17 Definitions

The terms defined below shall have the same meaning throughout this Client Guide, unless the context clearly requires otherwise.

1031 Tax Deferred Exchange

A section of the U.S. Internal Revenue code that applies to business use or investment properties including rental, land and commercial real estate. It provides a safe and legal procedure for rolling sales profits into new property as a non-taxable exchange. These exchanges are often referred to as “Starker” exchanges.

Abstract of Title

A written history of the title transaction of conditions bearing on the title to a designated parcel or land. It covers the period from the original source of title to the present and summarizes all subsequent instruments of public record by setting forth their material parts.

Accepted Servicing Practices

With respect to any Loan, those procedures (including collection procedures) that are reasonable and customary servicing practices for the same type of loans and which are in accordance with: (1) accepted mortgage servicing practices of prudent servicers for comparable mortgage loans in the jurisdiction where the related Mortgaged Premises is located; (2) the terms of the related Note, Security Instrument and other documents contained in the Loan file; and (3) Applicable Law including but not limited to the CFPB Mortgage Servicing Rules.

Acquisition Cost/Mortgage Basis

Total cost to the buyer for the real estate securing the mortgage, including the sales price, cost of any required repairs paid for by the buyer, plus Allowable Closing Costs. Total acquisition does not include nonrealty items, prepaid expenses (such as taxes, assessments, and insurance premiums), or seller concessions.

Active Duty

Because of Public Law 97-66, service in the armed forces, for the purpose of Eligibility for Entitlement, does not commence until entry in to actual active duty status regardless of any reserve duty prior to that date OR enlistment under the Delayed Entry Program (considered in the reserves until reporting to active duty).

Active Trade Line

The date of the last activity on the account and not a current open balance.

Adjustable-Rate Mortgage (ARM)

A mortgage loan that allows the lender to adjust the interest rate in accordance with a specified index periodically and as agreed to at the inception of the loan. Also referred to as a variable rate mortgage (VRM).

Adjustment Period

The time during which an ARM interest rate remains effective.

Agency

Fannie Mae, Freddie Mac, or Ginnie Mae.

Affiliate

Any person or entity controlling, controlled by or under common control with a person or entity. "Control" means the power to direct the management and policies of a person or entity, directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and "controlling" and "controlled" shall have meanings correlative to the foregoing.

Allonge

A separate piece of paper on which is written endorsements to a Bill of Exchange or promissory note. This is usually done when the original document was not endorsed. The piece of paper must be securely attached to the instrument that is being endorsed.

Annualize Income

Total year-to-date income (regardless of the number of months) divided by 12.

ALTA

American Land Title Association
1828 L Street NW, Suite 705
Washington, DC 20036
800.787.ALTA

Alternative Documentation

A documentation option that allows lenders to obtain documentation related to a borrower's income, employment, funds for closing, and mortgage payment history directly from the borrowers, rather than from the borrowers' employer, bank, or mortgage servicer. Samples of alternative documentation include W-2 forms, bank statements, pay stubs, and canceled checks.

Annual Percentage Rate (APR)

The actual cost of borrowing money expressed in the form of an annual rate to make it easy to compare costs between lenders. The rate includes such items as the base interest rate, origination fees, commitment fees, prepaid interest, and any other credit costs that may be paid by the borrower to obtain the loan.

Applicable Laws

As of the time of reference, all federal, state and local laws, statutes, rules, regulations, ordinances and legal and regulatory requirements applicable to the origination or servicing of the Loans and the transfer or disposition thereof or any activity related thereto, and all other judicial and administrative judgements, orders, stipulations, awards, writs and injunctions or decisions of arbitrators applicable thereto.

Appraisal Waiver

See also Property Inspection Waiver (PIW)

Approved Contract Underwriter

A provider of mortgage insurance that has been approved by NewRez as listed on NewRez Exhibit E201.

Arm's Length Transaction

A transaction between a buyer and a seller and there is no degree of relationship. The parties involved are entirely independent of each other, deal with each other as strangers, and have no reason for collusion. Also, see Non-Arm's Length Transaction.

Assignment of Trade (AOT)

A transaction where the owner of a forward trade (the mortgage originator) assigns the forward trade to a third party (NewRez) rather than fulfilling the trade by delivering the loan or securities into such trade.

Attorney-in-fact

An individual, not necessarily an attorney, who is authorized to act for another in a specific or general assignment. This individual has privileges afforded as under power of attorney.

Authoritative Copy

The copy of an eNote or other Electronic Record that is designated by agreement of the parties to the transaction, system rule, or system design as the controlling reference copy.

Automated Underwriting System

Desktop Underwriter (DU), Desktop Originator (DO) and Loan Product Advisor (LPA).

Automated Valuation Model (AVM)

A model using at least one of the two following methodologies to arrive at a determination of value for real property without the use of, or with limited intervention by a human appraiser. See also Qualified AVM.

Index or repeat sales model: A mathematical model that derives an estimate of current market value by taking an old value from a previous sale or refinance and applying a market rate of change to reflect a present day value. The market rate of change percentage is derived from looking at repeat sales within a limited geographic area (i.e., 5-digit zip); by property type (e.g., condominium, detached, 2-4 unit); and often within price bands (e.g., <50% of median price, 50-100% of median, 100 - 150% of median, and >150% of median), for the same period as the Mortgaged Premises.

Hedonic or regression models: Also referred to as comparable sales models, these models derive an estimate of current market value by analyzing the various characteristics of like properties (e.g., square footage, lot size, number of bedrooms). The model then determines the impact that each characteristic has on value by looking at the characteristics of recent sales within a limited geographic area (i.e., 5-digit zip) and determining an appropriate formula. By applying the characteristics of the Mortgaged Premises to this formula, a current value can be derived.

Best Efforts Delivery Commitment

A Commitment under which Client has committed that it shall make best efforts to close on an eligible-for-purchase Loan, which conforms to the Loan described in the Commitment, and that if Client does so then Client shall deliver the Loan to NewRez.

Blind Trust

A blind trust is a financial arrangement in which a person in public office give the administration of private business interests to an independent trust in order to prevent conflict of interest. Under the trust, the owner does not know how the assets are managed.

Borrower

In a real estate purchase transaction, the borrower is the party that receives funds in the form of a loan with the obligation of repaying the loan in full with interest, if applicable. A borrower is also referred to as a mortgagor. The primary borrower is defined as the occupying borrower with the highest income. In the case of a non-occupant co-borrower with a higher income, the occupying borrower would still be the primary borrower. Also see Co-Borrower.

Bridge Financing

A loan spanning the gap between the termination of one loan (generally short-term) and the start of another (generally permanent long-term loan). Also referred to as gap financing.

Bridge Loan

A short-term form of second mortgage that is collateralized by the borrowers' present home (which is usually for sale) in a manner that allows the proceeds to be used as down payment funds for closing on a new house before the present home is sold. Also referred to as a swing loan or gap financing.

Builder Bailout

Schemes promoted by the builder or developer to move property quickly in a depressed real estate market.

Bulk Commitments

A commitment that is taken for a specified dollar amount, a specified loan program, a specified interest rate range, and a specified number of days. Also see Best Effort Commitment.

Business Day

Any day other than a Saturday, Sunday, or any of the holidays upon which NewRez is officially closed for business, as set forth in the Holidays section in Chapter 7C, Funding Requirements and Wire Instructions.

Business Purpose Loan

Credit extended to acquire, improve, or maintain rental property (regardless of the number of housing units) that is not owner-occupied is deemed to be for business purposes. This includes, for example, the acquisition of a warehouse that will be leased or a single-family house that will be rented to another person to live in.

Buy-out Fee

A fee that Client owes NewRez as a result of Client's failure to meet Client's delivery obligations in a timely manner under a Commitment. See also Pair-off fee.

CAIVRS

See Credit Alert Interactive Voice Response System.

CAIVRS Number

The authorization number provided by the Credit Alert Interactive Voice Response System (CAIVRS) that identifies if the borrower has been delinquent or is currently delinquent on any Federal Debt.

Cantilevered Property

A projecting structure supported at one end and carries a load at the other end or along its length.

CFPB

The Consumer Financial Protection Bureau or any successor thereto.

Charge-Offs

A charge-off is an account deemed by a creditor to be an underperforming receivable that has been (for accounting purposes) converted to a loss recovery account. The borrower remains contractually liable for the unpaid balance and related charges, except if the charge-off balance is legally uncollectible, such as following a settlement. Also known as a Profit & Loss (P&L) account and usually reflected on the credit report as R-9, I-9, U-9. A charge-off is a major adverse credit account.

Client

A person or entity that has entered into a Client Contract with NewRez.

Client Contract

The Client Contract that incorporates this Client Guide by reference (by whatever name, including Seller/Servicer Agreement or Correspondent Agreement) for purchase and sale of Loans between one or more of the entities that make up NewRez and Client, as amended, supplemented or replaced.

Client Guide

This NewRez Client Guide, as amended, supplemented or replaced.

Client Requirements

Those requirements set forth in the Client Contract or this Client Guide.

CLTA

California Land Title Association
1110 K Street, Suite 100
Sacramento, CA 95814
916.444.2647

Co-Borrower

Describes any Borrower other than the first Borrower whose name appears on the Note.

Commingled Accounts

The combining or mixing of accounts or funds.

Common Interest Apartments

A project in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment unit in the building. The project or building is often owned by several owners as tenants in common or by a HOA.

Commitment

A Best Efforts or Mandatory Delivery Commitment obtained by Client from NewRez for delivery of Loans as described in Chapter 6, Registration & Commitments.

Commitment Confirmation

NewRez's written communication to Client confirming that NewRez has accepted Client's Commitment and additional terms and conditions applicable to NewRez's potential purchase of the Loan under such Commitment as described in the Commitment Confirmation section in Chapter 6B, Flow Commitments.

Commitment Period

The period of time for any particular Commitment during which Client has committed to deliver an eligible-for-purchase Loan which conforms to the Loan described in the Commitment.

Community Land Trust

Community land trusts are created to preserve long-term affordable housing by purchasing homes in their communities, then leasing the land using a long-term ground lease to low-income and moderate-income families at affordable monthly ground rents. Eligible community land trusts must be nonprofit organizations or public entities, such as state or local governments, counties, school districts, universities, or colleges. The ground lease includes provisions that require the continued use of the property for low-income and moderate-income families in the future.

Compensating Factors

Positive characteristics of a borrower's credit, employment or savings history that may be used to offset high debt-to-income ratios in the underwriting process.

Compliance Alert

A bulletin, communication, or document by whatever name, communicated to Client, which maybe archived and linked to under this Client Guide, or posted at corr.newrezcorrespondent.com setting out a specific legal requirements or NewRez policies.

Condo-Hotel

A condominium that is operated as a commercial hotel even though the units are individually owned. A Condo-Hotel is often referred to as a condotel or a condominium hotel.

Conforming Loan

A mortgage loan that meets the underwriting guidelines, loan amount limits, and regulatory parameters set by Freddie Mac and Fannie Mae.

Control

When a system employed for evidencing the transfer of interests in an eNote reliably establishes the Controller as the person to which the eNote was issued or transferred.

Controller

The current owner of the beneficial interest in an eNote, which has been registered with the MERS® eRegistry.

Conventional Mortgage

A mortgage that is not insured or guaranteed by the federal government (FHA or VA).

Conversion Option

On an adjustable rate loan, a conversion option allows the borrower to change the loan terms from an adjustable rate to a fixed rate loan, at a specified adjustment period, without refinancing.

Convertible ARM

A type of adjustable rate mortgage that includes an option for the borrower to change the mortgage to a fixed-rate mortgage in the early years of the mortgage term.

Corporation

A corporation is a state-chartered legal entity that exists separately and distinctly from its owners, who are stockholders or shareholders. It is the most flexible form of business organization for purposes of obtaining capital. A corporation can sue; be sued; hold, convey or receive property; enter into contracts under its own name; and does not dissolve when its ownership changes.

There are two types of corporations - publicly owned (widely held) corporations and privately owned (closely held) corporations. Because more than 50 percent of the outstanding stock of a privately owned corporation is owned directly or indirectly by no more than five people, the corporation has little or no access to public funds and must raise capital through institutional financing.

Although legal control of the corporation rests with its stockholders, they typically are not responsible for the day-to-day operations of the business since they elect a board of directors to manage the corporation and delegate responsibility for the day-to-day operations to the directors and officers of the company. The corporation's board of directors or other entities that have a significant financial interest in the business determines the distribution of profits earned by the business. However, the profits are usually filtered down to the owners in the form of dividends. Since a stockholder is not personally liable for the debts of the corporation, losses are limited to his or her individual investment in the corporation's stock.

Corporations must report income and losses on the U.S. Corporation Income Tax Return (IRS Form 1120), and pay taxes on the income. The corporation distributes profits to shareholders in the form of dividends, which it reports on the Statements for Recipients of Miscellaneous Income (IRS Form 1099-DIV), and the shareholders must then report the dividends as income on their Individual U.S. Income Tax Returns (IRS Form 1040).

a. Limited Liability Company

A limited liability corporation is a hybrid business structure which offers its member-owners the tax efficiencies of a partnership and the limited liability advantages of a corporation. The member-owners of the limited liability corporation (or their assigned managers) can sign contracts, sell assets, and make other important business decisions. The limited liability corporation operating agreement may set out specific divisions of power among the member-owners (or managers). Although the member-owners generally have limited liability, there may be some instances in which they are required to personally guarantee some of the loans that the limited liability corporation obtains. Profits from the operation of the limited liability corporation may be distributed beyond the pool of member-owners such as by offering profit distributions to managers.

The limited liability corporation must report its profits or loss on the U.S. Partnership Return of Income (IRS Form 1065) and each member-owner's share of the profit or loss on the Partner's Share of Income, Credits, Deductions, etc. (Schedule K-1); however, the limited liability corporation pays no tax on its income. Each member-owner uses the information from Schedule K-1 to report his or her share of the limited liability corporation's net profit or loss (and special deductions and credits) on the Individual U.S. Income Tax Return on Schedule E from IRS Form 1040 - whether or not he or she receives a cash distribution from the limited liability corporation. Individual member-owners pay taxes on their proportionate share of the limited liability corporation's net income at their individual tax rates. Because profits may or may not be distributed to the individual member-owners, it must be determined whether the borrower actually received a cash distribution from the limited liability corporation. To quantify the level of the borrower's financial risk, determine whether the borrower has guaranteed any loans obtained by the limited liability corporation (other than loans considered as non-recourse debt or qualified non-recourse debt).

b. "S" Corporations

An "S" corporation is a legal entity that has a limited number of stockholders and elects not to be taxed as a regular corporation. Business gains and losses are passed on to the stockholders. An "S" corporation has many of the characteristics of a partnership. Stockholders are taxed at their individual tax rates for their proportionate share of ordinary income, capital gains, and other taxable items.

The ordinary income for the "S" corporation is reported on the U.S. Income Tax Return for an "S" Corporation (IRS Form 1120S), with each shareholder's share of the income reported on the Shareholder's Share of Income, Credits, Deductions, etc. (Schedule K-1). Because this income from the distribution of corporate earnings may or may not be distributed to the individual shareholders, it must be determined whether the borrower actually received a cash distribution from the "S" corporation. The cash flow of an "S" corporation is otherwise evaluated similarly to that of a regular corporation.

Correspondent

An entity that typically sells the Loans it originates to other lenders. The Correspondent performs some or all of the loan processing functions such as taking the Loan application; ordering credit reports, appraisals, and title reports; and verifying the Borrower's income and employment. The Correspondent may or may not have delegated underwriting authority and typically funds the Loans at settlement through its own funds or through a bona fide warehouse line of credit. The Loan is closed in the Correspondent's name. The Correspondent may use a Mortgage Broker to perform some of the processing functions or even to fund a Loan closed in the Mortgage Broker's name; however, such a Loan will be considered, and should be delivered as, a Correspondent Loan.

Cost Approach

The Cost Approach to value assumes that a potential purchaser will consider building a substitute residence that has the same use as the property that is being appraised. This approach, then, measures value as a cost of production.

The reliability of the cost approach depends on valid reproduction cost estimates, proper depreciation estimates, and accurate site values. Appraisals relying solely on the cost approach as an indicator of market value are not acceptable.

Credit Alert Interactive Voice Response System (CAIVRS)

The system checks the Social Security Number of all borrowers for FHA insured loans (except for Streamline refinances) for delinquent federal debts. Additionally, it checks for suspension or debarment from HUD's Limited Denial of Participation (LDP) list and the government-wide General Services Administration (GSA) List of Parties Excluded from Federal Procurement or Non-procurement Programs.

Credit Documents

A subset of the Loan Documents.

Credit Limit

The maximum aggregate principal amount of advances allowed to be outstanding under the terms of the Agreement (as defined below).

Credit Score

Also known as the "FICO Score," "Beacon" or "Empirica" – an index assessing the Borrower's credit history. The Credit Score evaluates and considers only the information in a Borrower's file at a credit reporting agency. As an index, the score reflects the relative risk of serious Delinquency, default, foreclosure or bankruptcy associated with a Borrower. A Credit Score is available (as an enhancement to the credit report) through the following repositories:

- Equifax and Equifax Canada
- Beacon
- Trans Union
- Empirica
- Experian
- FICO

Credit Utilization

An evaluation that is done to determine the Borrower's use of revolving credit by comparing the current balance on each open account to the amount of credit that is available. This evaluation allows Client to determine whether the Borrower has a pattern of using revolving accounts up to the Credit Limit. Credit histories with a low balances-to-limits ratio generally represent a lower credit risk, while those that include accounts with a high balances-to-limits ratio represent a higher credit risk.

DD Form 13

Statement of Service document that may be issued when a veteran is still on active duty to verify military service.

DD Form 214

A Report of Separation From Active Duty form for veterans separated after January 1, 1950.

Debt-to-Income Ratio (DTI)

All of the Borrower's applicable monthly debt divided by the Borrower's monthly income.

Delegated

Describes an underwriting arrangement where approvals are granted by Client using NewRez standards and guidelines set forth herein, or Fannie Mae or Freddie Mac guidelines as set forth in their respective Seller Guide, prior to purchase by NewRez. "Delegated" status is at the discretion of NewRez and is granted under separate agreement or expressly stated in the original and/or subsequent amendment to the Client Contract.

Delinquency

Delinquency occurs when all or part of the Borrower's monthly installment of principal, interest and, where applicable, Escrow/Impound is unpaid after the due date. A Delinquency as of the close of business of the last Business Day before the next due date is considered a one payment or 30-day Delinquency.

Delivery Commitment Number

The number that is assigned to each Delivery Commitment at the time an individual Delivery Commitment is ordered.

Delivery Date

The date on which NewRez actually receives Client's Funding Documents. The posting of the Funding Documents with the U.S. Postal Service or any other delivery service does not constitute delivery to NewRez.

Delivery Expiration

Date that the completed closed Loan package is required to be received by NewRez.

Designated Custodian

The entity that stores, maintains and transfers the eNote for the Controller and is the Controller's designated custodian as that term is described and used in Section 16(c) of UETA and Section 201(c) of ESIGN, and would otherwise qualify as a Document Custodian.

Designated Servicer

A person or entity that has been designated by NewRez to service any Loan with respect to which NewRez purchases the Servicing Rights.

Desktop Originator (DO) / Desktop Underwriter (DU)

Fannie Mae's automated decisioning tool.

Domestic Partner

An eligible borrower and one other person (of the same or opposite sex) sharing a committed relationship that includes the following features:

- common residence,
 - financial interdependence,
 - joint responsibility for each other's welfare, and
 - couples who consider themselves to be life partners.
- Roommates, siblings, parents, and people sharing other blood relationships are not considered to be domestic partners.

Early Scheduled Transfer

The Simultaneous Sale of Servicing with the Sale Date being the date on which the Purchase Price of the Loan is funded, and the Effective Date of Transfer being the first day of the month following the Sale Date.

Effective Date of Transfer

The date on which the responsibility for the servicing of a mortgage Loan is assumed by the Designated Servicer and responsibility for the servicing representations, warranties and duties are transferred to the Designated Servicer. In the case of any sale of Servicing Rights to NewRez on a Loan-by-Loan basis, the Effective Date of Transfer:

- For a Simultaneous Sale of Servicing is the first day of the second month following the Sale Date
- For an Early Scheduled Transfer, in which case the Effective Date of transfer is the first day of the month following the Sale Date
- For a Post Purchase Sale of Servicing and an Early Purchase of Servicing, is the first day of the month following the Sale Date

Electronic Loan Documents

The Loan file documents, including any Electronic Records associated with the closing of an eMortgage

eMortgage

A Loan for which the promissory note is an eNote and possibly other loan documents are created and stored electronically rather than using traditional paper documentation that has a pen and ink signature.

eMortgage Guide

The Fannie Mae Guide to Delivering eMortgages to Fannie Mae (Version 2.5 March 2007) and documents incorporated therein, as may be amended from time to time.

eMortgage Process Technology

The process, procedures, systems and technology utilized by the Client (or its agents) to (i) provide Borrower(s) with the Electronic Loan Documents, (ii) sign Electronic Loan Documents; (iii) obtain and store the Borrower(s) electronically signed consent to use such technology in accordance with all applicable federal and state laws and regulations, including but not limited to ESIGN and UETA; (iv) manage and effect the Transfer of Control of an eNote; and (iv) validate, store, maintain, document and access Electronic Loan Documents to evidence any and all elements of the eMortgage transactions including, but not limited to, the authentication of parties, the creation, registration, transfer and storage of the Electronic Loan Documents, and the electronic consent and signature process.

eNote

A Transferrable Record.

Electronic Record

A record created, generated, sent, communicated, received, or stores by electronic means.

Electronic Signatures

Any symbol or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign.

Electronic Verification

A computer-generated document downloaded and printed from the Internet, intranet or included in an email message that provides all the information contained in the original hard-copy form. The Electronic Verification must be readable by an image scanner and must be printed and included in the Loan file. The Borrower may provide the Electronic Verification to Client or Client may obtain it directly from the employer, depository, appraiser or other institution.

ESIGN

The official text of the federal Electronic Signatures in Global and National Commerce Act, 15 U.S.C. § 7001, et seq.

Escrow/Impound

All funds collected by Client and/or Servicer to cover expenses of the Borrower required to be paid under the Security Instrument, including, but not limited to, taxes, special assessments, ground rents, water, sewer and other governmental impositions or charges that are or may become liens on the Mortgaged Premises prior to that of the Loan, as well as hazard, flood and mortgage insurance premiums.

eVault

The electronic system that enables the storage of eNotes and other Loan documents.

FDIC

The Federal Deposit Insurance Corporation.

Factory-built Home

Many types of housing structures are constructed right in the factory and are designed for long-term residential use. There are five categories of Factory-built Homes which include: Manufactured Home, Modular Home, Mobile Home, Panelized Home and Pre-cut Home and each are defined individually in this chapter.

Federal Home Loan Mortgage Corporation (FHLMC)

Also referred to as Freddie Mac. A quasi-governmental agency that purchases conventional mortgages in the secondary mortgage market. It sells participation sales certificates secured by pools of conventional loans; their principal and interest are guaranteed by the federal government through Freddie Mac. It also sells GNMA bonds to raise funds to finance the purchase of mortgages.

Federal Housing Administration (FHA)

A division of the Department of Housing and Urban Development (HUD) that was established in 1934 to increase home ownership by providing an insurance program to safeguard lenders against borrower default. The FHA sets standards for property construction and credit underwriting, but it does not lend money, plan or build housing.

Federal National Mortgage Association (FNMA)

Also referred to as Fannie Mae. A government-sponsored private corporation created by Congress to support the secondary mortgage market. It is the largest purchaser and seller of conventional residential mortgages, as well as mortgages insured by the FHA or guaranteed by the VA.

Fee Simple

The greatest possible interest a person can have in real estate including the right to dispose of the property or pass it on to one's heirs.

FHA Case Number

The 13-digit number used to identify the case on HUD/FHA's records during processing and, if insured, through the life of the loan. The number consists of:

- The 3-digit prefix that identifies the state and the HUD/FHA field office where the loan was accepted for processing.
- The 7-digit case serial number.
- The 3-digit suffix that identifies the loan as an ARM or fixed rate.

FIRREA

Title XI of the Financial Institution Reform, Recovery, and Enforcement Act of 1989 and the regulations promulgated thereunder.

First-time Homebuyer

An individual is to be considered a first-time home buyer who:

- Is purchasing the security property; and
- Will reside in the security property as a principal residence; and
- Had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property.

In addition, an individual who is a displaced homemaker or single parent also will be considered a first-time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.

Flood Insurance

Insurance that compensates the property owner for physical property damage resulting from flooding. Flood insurance is required if the property improvements are located in federally designated Special Flood Hazard Areas. If the land is in the flood hazard area, but the improvements are not, flood insurance is not required.

Forbearance

A postponement of loan payments, granted by a lender or a creditor, for a temporary period of time. This is done to give the borrower time to make up for overdue payments.

Foreign National

A citizen of another country who visits the United States periodically and is purchasing a property to reside in during visits to the U.S. A foreign national is not a permanent or non-permanent resident alien, and does not have full or partial diplomatic immunity.

Freddie Mac

The Federal Home Loan Mortgage Corporation and any successor entity.

Frozen Credit

In certain circumstances, a Borrower has the right to “freeze” his or her credit information at one or more of the three national repositories, prohibiting a third party gaining access to their credit information.

Full-gut Rehabilitation

The renovation of a property down to the shell with replacement of all HVAC and electrical components.

Full Eagle Designation

A Lender who may originate, fund, hold, service, purchase, underwrite, and sell FHA mortgage Loans.

Funding Amount

The funds wire transferred to Client on the Funding Date in payment for any Loan and Servicing (if applicable) sold by Client to NewRez.

Funding Date

The date the Funding Amount is wire transferred to Client in payment for any Loan and Servicing (if applicable) sold by Client to NewRez.

Funding Documents

The documents required for funding.

GAAP

Generally Accepted Accounting Principles.

Governmental Authority

Any U.S. federal, state, or local government, or political subdivision thereof, or other entity exercising executive, legislative, judicial, regulatory, or administrative functions, including but not limited to the CFPB, HUD, the Federal Housing Administration of HUD, the Department of Veterans, the Department of the Treasury, the Federal Reserve, the OCC, the FDIC, the U.S. Securities and Exchange

Commission, the Federal Emergency Management Agency and any state agency or body with authority to regulate banking, securities, or mortgage-related activities, and any similar agency or body, each to the extent of its authority over the affected Person or activity.

Government Sponsored Enterprise (GSE)

Fannie Mae, Freddie Mac, or Ginnie Mae.

Guarantor

A party who is secondarily liable for another's debt or performance (in a contrast to a surety who is primarily liable with the principal debtor).

Homeowners' Association.

Homeowners' Association (HOA)

An owners group that manages common areas whether in a PUD, condominium, or single family subdivision that establishes general guidelines for the operation of the community, as well as its standards.

HUD

The Department of Housing and Urban Development, or any federal agency or official thereof which may from time to time succeed to the functions thereof.

Individual Assistance

Disaster assistance is money or direct assistance to individuals, families and businesses in an area whose property has been damaged or destroyed and whose losses are not covered by insurance. It is meant to help you with critical expenses that cannot be covered in other ways. This assistance is not intended to restore your damaged property to its condition before the disaster. Individual Assistance must be identified on the disaster notification.

Inherited Property

A Real property that passed to an heir on the death of the owner.

Institutional VOR

Direct written verification of 12 month rental history from a property management company may be provided if management company is listed in the local telephone directory. Verification that property management company exists can be obtained through a reverse telephone directory look up or can be verified with a business entity verification. File must contain a copy of the listing, reverse look up, or business entity verification. If the listing, reverse look up, or business entity verification is not available, 12 month cancelled checks must be provided.

Interested Party

Person or entity who benefits from the completion of the property sales transaction and may be the property seller, builder, developer, real estate agent, or lender.

Interim Servicer

The Client, in its capacity as Interim Servicer.

Interim Servicing Period

The period beginning on the Funding Date and ending on the Servicing Transfer Date.

Intermittent Lates

A pattern of late payments that is not consecutive, but is broken into intervals. For example, a mortgage rating with a three-month history reflecting the following is considered 2x30 for grading purposes:

- First Month: 30-day Delinquency
- Second Month: Current
- Third Month: 30-day Delinquency

Inter Vivos Revocable Trust

Inter vivos is the Latin term for "between the living." This means it is a trust that an individual creates and becomes effective during his or her lifetime, but can be changed or canceled at any time for any reason during the creator's lifetime. Inter vivos revocable trusts are created by individuals while they are still living as an estate planning tool. The inter vivos revocable trust, also called a family trust, living trust, or revocable living trust, can be used as an alternative form of property ownership. A trust is referred to as revocable when the individual who created it, usually called the grantor, trustor, or settlor, can change or cancel it at any time, for any reason, while they are still living. This ability to revoke the trust, or revocability, is important because it allows the grantor/trustor/ settlor, who would otherwise own the property directly, to retain control of the property.

Investment Securities

A project in which unit ownership is characterized or promoted as an investment opportunity, and/or projects that have documents on file with the Securities and Exchange Commission (SEC).

Land Contract of Sale

An agreement between buyer and property seller in which the seller retains title to the property until all or a specified part of the sales price has been paid to the seller. If recorded, the buyer will show on title as having an interest in the property. Also known as Installment Land Contract or Contract for Deed.

Land-to-Value

The ratio that results when the lot value indicated on the appraisal report is divided by the value of the Mortgaged Premises.

Land Trust

A land trust is an arrangement by which title to real estate is transferred to a trustee, but the full management and control of the property is retained by the beneficiaries of the trust. The trustee is named as owner of the property in the Security Instrument and is the "borrower" of record on the loan, even though the trustee is not personally liable for repayment of the loan.

Leasehold

An estate or interest in real property held by virtue of a lease.

Lease Purchase Agreement

An arrangement whereby part of the rent payment is applied to the purchase price and when the prearranged total amount has been paid, title is transferred.

Legal Documents

A subset of the Loan Documents.

Lifetime Cap

The maximum interest rate increase or decrease over the term of the Loan.

Liquid Reserves

Liquid reserves are those liquid or near liquid assets that are available to a borrower after the loan closes. Liquid reserves include cash and other assets that are easily converted to cash and are described in this Client Guide.

Lis Pendens

A notice of public record indicating that the real property is in litigation and in danger of an adverse judgment.

Loan

A residential mortgage loan or line of credit sold or intended to be sold by Client to NewRez and that meets or is intended to meet all the requirements of this Client Guide. The term "Loan" includes all of the Client's rights, title and interest in and to the Loan, including but not limited to the Servicing Rights, Note, the Loan Documents, the Loan file and all other material and information collected by Client in connection with the Loan.

Loan Documents

Includes originals and copies of the appraisal, the Security Instrument, the Note and all other documents described in the Loan Documents and Notes of this Client Guide.

Loan Program

Any one or more of the Loan Programs pursuant to which a Client may sell Loans in accordance with this Client Guide. The Loan Programs are described in our Product Matrices.

Loan-to-Value (LTV)

The ratio of the Loan amount to the value of the Mortgaged Premises. The Combined Loan-to-Value (CLTV) is the ratio of the Loan amount plus any Secondary Financing to the value of the Mortgaged Premises.

Location

The entity named on the MERS® eRegistry that maintains the Authoritative Copy of the eNote either as Controller or as a custodian on behalf of the Controller.

Lock Expiration

Date that the locked Commitment expires.

Mandatory Delivery Commitment

A Commitment under which Client has committed to deliver an eligible-for-purchase Loan, which conforms to the Loan described in the Commitment.

Manufactured Home

A home built entirely in the factory under a federal building code administered by the Department of Housing and Urban Development (HUD) is classified as a “Manufactured Home”. These homes are constructed to meet the Federal Manufactured Home Construction and Safety Standards Act (HUD Code) which have been in effect since June 15, 1976.

Margin

The amount added to the index value to create the mortgage interest rate for an ARM Loan.

Master Association

A Master Association is a HOA in a large condominium project that consists of representatives from associations covering specific areas within the project. It is a second level association that handles matters affecting the entire development, while the first level association handle matters affecting their particular portion of the subject development. If a project is part of the Master Association and the Master Association operates as a hotel, resort, motel, inn or lodge the entire project is ineligible.

Mello Roos

A Mello-Roos District is an area where a special property tax on real estate, in addition to the normal property tax, is imposed on those real property owners within a Community Facilities District. These districts seek public financing through the sale of bonds for financing public improvements and services. These services may include streets, water, sewage and drainage, electricity, infrastructure, schools, parks and police protection to newly developing areas. The tax paid is used to make the payments of principal and interest on the bonds.

MERS (Mortgage Electronic Registration System)

MERSCORP or Mortgage Electronic Registration Systems, Inc. and the MERS® System. An electronic registration system that tracks the mortgage rights of a loan.

MERS-Designated Loan

A Loan for which (a) Client has designated or shall designate MERS as, and has taken or shall take such action as is necessary to cause MERS to be, the mortgagee of record, as nominee for Client, in accordance with MERS Procedure Manual and (b) Client has designated or shall designate NewRez as the Investor on the MERS System.

MERS® eRegistry

A system of record that identifies the owner (Controller) and custodian (Location) for registered eNotes.

MIN

Mortgage Identification Number on a MERS Loan.

Mini Eagle Designation

A Lender meeting all of the FHA qualifications, which has as its principal activity the origination of HUD-insured mortgages for the sale or transfer to its sponsors.

Mixed Use Property

A mixed-use property is a property that has a business use in addition to its residential use, such as a property with space set aside for a day-care facility, a beauty or barbershop, a doctor's office, and so on.

Mobile Home

Mobile Home is a term applied to homes built prior to June 15, 1976 when the HUD Code went into effect. In many cases these homes were built to voluntary industry standards. NewRez does not consider Mobile Homes to be an eligible property type under any Loan Program.

Modular Home

Modular Homes are Factory-built Home constructed to the state, local or regional building codes where the home will be located. Modular Homes are multi-sectioned units that are transported to the site and installed.

Monthly Payment

The scheduled monthly payment of principal and/or interest on a Loan.

Mortgage Broker

A person or entity that specializes in loan originations, receiving a commission (from a Correspondent or other lender) to match Borrowers and lenders. The Mortgage Broker performs some or most of the Loan processing functions, such as taking Loan applications, or ordering credit reports, appraisals and title reports. Typically, the Mortgage Broker does not underwrite the Loan and generally does not use its own funds for closing.

Mortgaged Premises

The land and improvements thereon subject to or intended to be subject to the lien of the Security Instrument.

Mortgage Service Providers

An entity or individual engaged to handle or perform, for a Client or Correspondent, part of the Loan application processing, underwriting, funding or post-closing functions, but not any activities related to obtaining an application for a wholesale origination.

This entity or individual is typically paid on a fee basis for services performed, with the payment of fees not being contingent on Loan approval or closing.

Mortgage Service Providers include:

- Contract underwriters
- Contract processing firms
- Contract quality control services
- Escrow companies and settlement agents
- Contract document preparation companies

NewRez

Means NewRez LLC

NewRez Client Guide

Also called the Client Guide - See Client Guide.

Non-Arm's Length Transaction

A transaction with a family member or relative, or when a personal or business relationship exists between the borrowers and the builder or property seller. This relationship may influence the transaction. Also, see Arm's Length Transaction.

Non-Conforming

A mortgage loan that does not meet the loan amount limits or credit characteristics set by Freddie Mac and Fannie Mae.

Non-Conforming Loan

A mortgage loan in which the loan amount, the LTV ratio, term, or some other aspect of the loan exceeds permissible limits as specified in agency (GSEs) regulations. These loans must meet or exceed the guidelines as set forth in the Client Guide. Non-conforming loan guidelines may follow GSE underwriting guidelines or be a blend of various investor guidelines.

Non-Delegated

Underwriting arrangement where NewRez must grant Loan approvals and set conditions prior to Loan settlement.

Non-gut Rehabilitation

The renovation of a property that does not include a full replacement of HVAC and electrical components.

Non-Permanent Resident Alien

Non-United States citizens who have no valid evidence of permanent residency, but have valid visas. Acceptable visas are H-1, H-2A, H-2B, H-3, L-1, E-1, and G series.

Non-Standard Documents

Any documents evidencing or securing a Loan that are not Uniform Instruments.

Note

The applicable form of instrument evidencing obligation to repay the Loan as required under this Client Guide, including any addenda thereto.

On-Frame Modular Construction

On-frame modular construction is defined as a home that is built in sections, like a modular home, but having a permanent chassis, with no evidence of compliance with the June 15, 1976 Federal Manufactured Home Construction and Safety Standards.

Originator

With respect to any Loan, the Person(s) (which may be Client) that (i) took the Borrower's loan application, (ii) processed the Borrower's loan application, or (iii) closed and funded the Loan.

Pair-off Fee

A fee assessed if Client does not deliver qualifying Loan files in the amount of the Mandatory Delivery Commitment or as otherwise required by the Client Contract or Client Guide. See also Buyout Fee.

Panelized Home

Panelized Homes are defined as homes where panels (flat units that represent a whole wall with windows, doors, wiring and outside siding) are constructed in the factory and then transported to the site and assembled. Panelized Homes are constructed to the state, local or regional building codes of where the home will be located.

Partnership

A partnership is an arrangement between two or more individuals who have pooled their assets and skills to form a business and who will share profits and losses (according to predetermined proportions that are set out in the partnership agreement). A partnership may be a general partnership or a limited partnership.

The partnership must report its profit or loss on IRS Form 1065 and each partner's share of the profit or loss on Form 1065, Schedule K-1; however, the partnership pays no tax on the partnership income.

a. General Partnership

Under a general partnership, each partner has responsibility for running the business, is personally liable for the debts of the entire business, and is responsible for the actions of every other partner (unless otherwise specified in the partnership agreement). A general partnership is dissolved immediately upon the death, withdrawal, or insolvency of any of the partners, although the personal liability of partnership creators exists even after the partnership is dissolved. However, the partnership's assets will first be applied to the creditors of the business. The partner's individual assets will be first applied to their personal creditors, with any surplus in a partner's personal assets then being applied to the remaining business creditors.

Each partner uses the information from Schedule K-1 to report his or her share of the partnership's net profit or loss (and special deductions and credits) on the Individual U.S. Income Tax Return on Schedule E from IRS Form 1040, whether or not the partner

receives a cash distribution from the partnership. Individual partners pay taxes on their proportionate share of the net partnership income at their individual tax rates. Because profits may or may not be distributed to the individual partners, it must be determined whether the borrower actually received a distribution from the partnership. To quantify the level of the borrower's financial risk, determine whether the borrower has guaranteed any loans obtained by the partnership (other than loans that are considered as non-recourse debt or qualified non-recourse debt).

b. Limited Partnership

Under a limited partnership, a limited partner:

- Has limited liability based on the amount he or she invested in the partnership
- Does not typically participate in the management and operation of the business
- Has limited decision-making ability

A limited partnership will have at least one general partner who manages the business and is personally liable for the debts of the entire business. A limited partner's death, withdrawal, or insolvency does not dissolve the partnership.

Each partner uses the information from Schedule K-1 to report his or her share of the partnership's net profit or loss (and special deductions and credits) on the Individual U.S. Income Tax Return on Schedule E from IRS Form 1040 - whether or not he or she receives a cash distribution from the partnership. Individual partners pay taxes on their proportionate share of the net partnership income at their individual tax rates. Because profits may or may not be distributed to the individual partners, it must be determined whether the borrower actually received a cash distribution from the partnership. However, because limited partnerships are often formed as tax shelters, it is more likely that Schedule K-1 will reflect a loss instead of income. In such cases, the borrower's ability to deduct the loss will be limited by the "at risk" amount of his or her limited partnership interest (and will most likely be subject to passive loss limitations).

Review the U.S. Partnership Return of Income (IRS Form 1065) to determine the borrower's share of non-cash expenses that can be added back to the cash flow of the partnership business. To quantify the level of the borrower's financial risk, determine whether the borrower has guaranteed any loans obtained by the limited partnership (other than loans that are considered as non-recourse debt or qualified non-recourse debt).

Party Wall

A wall built along the boundary line of adjoining properties and shared by the respective property owners or tenants.

Passive or Unearned Income

Income that may not be readily verifiable by an outside, independent third party source. Examples include dividend/interest income, trust income, child support, alimony or separate maintenance, foster care, unemployment, disability, social security and other retirement income, rental income, and installment sales or land contract income.

Payment Change Date

The first day of the month following an interest rate change date. It is the date on which a payment change, due to an interest rate change, becomes effective.

Payment Shock

The amount of increase from the Borrower's current housing payment (rent or PITI) to the proposed subject mortgage PITI. For ARMs, Payment Shock is calculated using the qualifying rate.

Permanent Resident Alien

A non-U.S. citizen holding acceptable evidence of permanent residency issued by the Immigration and Naturalization Service (INS).

Person

Any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

Piggyback

NewRez defines piggyback loans as a first and second lien loan secured by the same subject property that close concurrently and both loans are sold to NewRez at the same time.

Planned Unit Development

A Planned Unit Development (PUD) is a development that has the following characteristics:

- The individual unit owners own a parcel of land improved with a dwelling. Ownership is NOT in common with other unit owners.
- The development is administered by a HOA that owns and is obligated to maintain property and improvements within the development for the common use and benefit of the unit owners.
- The unit owners have an automatic, non-severable interest in the HOA and pay a mandatory assessment.

PMI

Private mortgage insurance.

Post Purchase Sale of Servicing

The sale of Servicing to NewRez after purchase of the Loan by NewRez.

Power of Attorney

A legal document authorizing a person or an organization to act on behalf of another person. The person or organization that is appointed is referred to an Attorney-In-Fact. There are three types of Power of Attorney: General, Special/Specific/Limited, and Durable.

Pre-cut Home

Pre-cut Homes are a type of factory-built housing. Materials for this type of home are factory-cut (pre-cut) to design specifications, transported to the site and then assembled. Pre-cut Homes include kit, log and dome homes. Pre-cut Homes are constructed to the state, local or regional building codes where the home will be located.

Pre-foreclosure Sale

A pre-foreclosure sale involves the sale of the property by the Borrower to a third party for less than the amount owed to satisfy the delinquent mortgage, as agreed to by the lender, the investor, and the mortgage insurer

Premium

The Price Premium and Servicing Released Premium.

Prepayment

NewRez considers a Prepayment to have occurred when an amount greater than the regularly scheduled principal payment is made, thereby reducing the principal balance of a Loan before the final due date.

Prepayment Penalty/Fee

A charge that a borrower may be required to pay during the early years of a mortgage if it is paid in full or if the borrower makes a principal curtailment.

Price Premium

The amount by which the Purchase Price less the Servicing Released Premium exceeds the principal balance at the Funding Date. If the Purchase Price less the Servicing Released Premium does not exceed the principal balance at the Funding Date, then there is no Price Premium.

Primary Borrower

If more than one person is obligated to repay the Loan, the Primary Borrower is considered to be the individual whose Credit Score is selected for grading and qualification purposes.

Prime Rate

The highest base commercial rate on corporate loans at large U.S. money center commercial banks that The Wall Street Journal publishes as the Prime Rate.

Prior Underwriting Approval

Prior Underwriting Approval means that NewRez has performed a complete underwriting analysis of the Loan, including credit, income, assets, liabilities and appraisal prior to the Borrower closing the Loan, pursuant to Chapter 7A, Prior Underwriting Approval, of this Client Guide. In order for a Loan to have Prior Underwriting Approval, NewRez must have provided Client with a written notification (by fax, email or regular mail) noting that the Loan has Prior Underwriting Approval Status.

Program Documents

The Client Contract, Client Guide, and all amendments supplements and replacements, and any other documents and agreements between NewRez and Client regarding the sale of Loans.

Program Guidelines

Guidelines that detail and conform to Agency or NewRez requirements, restrictions, or limitations of Loans.

Property Data

Includes but is not limited to prior sale price, prior date sold, prior appraised value, prior appraised date, lot size, year built, property type or any other Property Data and/or characteristics.

Public Assistance

Through the Public Assistance (PA) Program, FEMA provides supplemental Federal disaster grant assistance for debris removal, emergency protective measures, and the repair, replacement, or restoration of disaster-damaged, publicly owned facilities and the facilities of certain Private Non-Profit (PNP) organizations.

Public Assistance disaster notifications are not acceptable when determining if a property is in an area that has been declared a natural disaster.

Purchase Price

The price paid for each Loan set by NewRez at the time of Loan registration, but subject to change at NewRez's discretion based on changes in registration information or late delivery.

Qualified AVM

A report of property valuation issued under an Automated Valuation Model, where such valuation report has been ordered from a Qualified AVM Vendor, as specified in the Automated Value Model Approved Vendors, using the vendor's NewRez Qualified AVM system, and the report of valuation has been given the NewRez Qualified AVM seal as may be determined through methods and systems issued at NewRez's discretion.

Qualified Insurer

"Qualified Insurer" means an insurance company duly qualified as such under the laws of the states in which the Mortgaged Premises are located, duly authorized and licensed in such states to transact the applicable insurance business and to write the insurance provided, approved as an insurer by Fannie Mae and Freddie Mac and whose claims paying ability is rated in the two highest rating categories by the Standard & Poor's Ratings Services, Moody's Investors Service, Inc. and Fitch, Inc. with respect to primary mortgage insurance and in the two highest rating categories for general policyholder rating and financial performance index rating by Best's with respect to hazard and flood insurance.

Qualifying Prepayment Penalty

Qualifying Prepayment Penalties are acceptable when allowed under the applicable law and this Client Guide. Client must determine individual state law requirements regarding Prepayment penalties. A Qualifying Prepayment must meet the following requirements:

- Is clearly stated in the Note or addenda and provisions of the Prepayment must be sufficient to enforce the penalty;
- Meets the minimum Prepayment requirements for the specific Loan Program;
- Complies with federal and state laws and regulations under which the Loan was originated; and
- Meets the minimum standards of the Loan Program under which the Loan is submitted

Rate Cap

Determined by the cap term and will be used as the final lock rate if the market declines. The interest rate is calculated by taking the 60-Day lock-in rate with price and adding a specified spread to the rate. The Rate Cap spreads are calculated for each eligible Loan Program and are found on the current Ratesheet. You have the option to deliver into the capped rate / price or any current market rate, price or Loan Program.

Recast

Recasting is a re-amortization of a mortgage to the remaining term at the current interest rate and current unpaid principal balance. When the loan is recast, the payment required to fully amortize the loan over the remaining term becomes the new minimum payment and the payment cap does not apply. The purpose of recasting is to ensure the loan is paid off within the scheduled amortization period.

Recreational Lease

A lease that runs for a short period of time during each year; sometimes called time sharing.

Redemption Period

A period of time established by state laws during which a property owner has the right to redeem his or her real estate from a foreclosure or tax sale and reclaim title and possession of the property.

Re-established Credit

Credit that is established after a bankruptcy or foreclosure.

Re-established Credit is calculated from the discharge of bankruptcy or completion of foreclosure and requires the following:

- Minimum of 12 months verified housing payments with no Delinquencies
- Minimum of four trade lines open for 24 months with no Delinquencies. At least one trade line must have a credit line of at least \$1,000

Re-price

Lower of the existing commitment price or the current market price for the same Note rate in the same Commitment.

Residual Income

The income remaining after PITIA and debts listed on credit report or obtained through other documentation have been subtracted from the Borrower's gross monthly income.

Restructured Loan

A restructured loan is a mortgage loan in which the terms of the original transaction have been changed resulting in either absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan that results in:

Forgiveness of a portion of principal and/or interest on either the first or second mortgage

Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness

Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage

Conversion of any portion of the original mortgage debt from secured or unsecured debt

In many cases, a borrower may not disclose that their existing Mortgage loan has been restructured. The credit report may show a restructured loan as “settled for less than owed”. If the credit report does not specify “settled for less than owed”, you will need to scrutinize the mortgage balance reported on the credit report versus the payoff balance. If the two balances do not match and the difference is more than unpaid interest or prepayment penalties, the loan may have been restructured.

Rural Property

If any one of the following criteria exists, the property will be classified as rural:

- Appraiser classifies the property as rural
- Less than 25% of the surrounding market area is developed
- If at least 50% of the acceptable comparable properties are not within five miles of the Mortgaged Premises, unless the appraiser provides sufficient justification for the distance of the comparables and clarifies that the property is not rural in nature

Sales Director

The NewRez associate, by whatever name, assigned to the Client for the purpose of facilitating the loan sale relationship under this Client Guide. AKA an Account Executive.

Scheduled Principal Balance

At any time and with respect to any Loan, the original principal amount of such Loan at the time it was purchased by NewRez less that portion of any cash payments received by NewRez from the primary Servicer for such Loan that is to be applied toward the reduction of the outstanding principal balance of the Loan.

Second Home

A property that the borrower occupies for some portion of the year, in addition to their primary residence. The property must be located in an area that can reasonably function as a second home and must be suitable for year-round occupancy. Typically, this property is located far from the borrower's primary residence, and near either a resort or vacation area, such as mountains, oceanfront, desert, and so on. Second homes may also be located in a major metropolitan area that the borrower visits on a regular basis.

Security Instrument

The applicable form of mortgage, deed of trust, deed to secure debt or security deed required under this Client Guide, including any riders, creating a lien on the Mortgaged Premises.

Seller Guide

Fannie Mae’s and Freddie Mac’s Seller Guide as amended, supplemented, or replaced from time to time.

Servicing Released Premium (SRP)

A one-time Premium paid to Client for the Servicing Rights on a mortgage Loan.

Servicing Rights

The right, title and interest in and to the non-recourse servicing of any Loan and the maintenance and Servicing Fee income and any and all ancillary income arising from or in connection with any Loan.

Servicing Transfer Date

With respect to each sale and purchase of Loans, the servicing transfer date as set forth in a Confirmation or Purchase Advice, or such other date to which the parties may agree in writing.

Settlement Agent

A neutral third party that facilitates the closing of a real estate transaction, including the closing of the loan, and the collection and disbursement of loan proceeds. The settlement agent can be a lender, an escrow company, title company, title agent, or attorney.

Simultaneous Transaction

A first and second lien mortgage Loan secured by the same subject property and are originated and closed together.

Simultaneous Sale of Servicing

The sale of servicing to NewRez concurrently with the sale of the Loan to NewRez.

Simultaneous Second Mortgage

The second lien in a Simultaneous Transaction.

Site Condominium

A condominium project composed solely of one-unit detached dwellings and no common area improvements other than greenbelts, private streets and parking.

Sole Proprietorship

A sole proprietorship is an unincorporated business that is individually owned and managed. The individual has unlimited personal liability for all debts of the business. If the business fails, the borrower will have to replace his or her income, as well as satisfy the outstanding obligations of the business. Since no distinction is made between the owner's personal assets and the assets used in the business, creditors may take either (or both) to satisfy the borrower's business obligations.

The financial success or failure of this type of business depends solely on the owner's ability to obtain capital. Poor management skills or an inability to secure capital to keep the business running will compromise the continuance of the borrower's business (and income).

The income, expenses, and taxable profits of a sole proprietorship are reported on the Profit or Loss from Business (Schedule C) on the owner's Individual U.S. Income Tax Return (IRS Form 1040) and are taxed at the rates that apply to individuals. When evaluating a sole proprietorship, make sure that there is sufficient and stable cash flow to support both the business and the payments for the

requested mortgage. Client must confirm that the business can accommodate the withdrawal of assets or revenues should the borrower need them to pay the mortgage payment and/or other personal expenses.

Standalone Transaction

A Loan, usually in junior position, closed independently from any other mortgage transaction.

Substitution Date

The date on which NewRez receives a Loan that Client has substituted for a denied Loan.

Successor Servicer

Any other licensed servicer designated by NewRez..

Tamperseal

Digital signature technology used to provide tamper-evidence protection to the Electronic Record as required by the Guide to Delivering eMortgage Loans to Fannie Mae (Version 2.5 March 2007).

Temporary Buydown

An amount of money paid by the Borrower, home seller, home builder or other person or entity that reduces the Borrower's monthly payments on the Note for a number of months at the beginning of the Loan term and that will, by the terms of the agreement establishing the Temporary Buydown, be pledged to Client as additional security for the Loan.

Title Vesting

The manner in which the Borrower takes title to the Mortgaged Premises. Types of Title Vesting are: individual, joint tenants, tenants in common and living trusts.

- Individual: an individual Borrower taking sole ownership (title) to a property
- Joint Tenants: a form of co-ownership giving each tenant equal interest and equal rights in a property, including the right of survivorship
- Tenants in Common: a form of individual ownership interest by two or more persons that provides for no right of survivorship. The interest need not be of equal percentage
- Living Trust: See the Living Trusts section in Chapter 3A, Occupancy, Borrower Eligibility, & Ownership Status

Tax Service Fee

A fee charged on all Loans to hire outside vendors to verify that all taxes on the Mortgaged Premises were paid.

Transfer, Transferring Control, Transfer Control, or Transfer of Control

The transfer of interests in an eNote (designated by transferor and transferee as the Authoritative Copy), and any subsequent transfer of eNotes (designated by the transferor and the transferee as the Authoritative Copy) and registered on the MERS® eRegistry. In the event of a conflict between the information in the MERS® eRegistry and the eMortgage Process Technology, to the extent that the MERS® eRegistry is a going concern, the MERS® eRegistry controls.

Transfer on Death Deed

A transfer on death deed allows a property owner to directly transfer the ownership of real estate at the owner's death to whomever the owner designates by name. It is a method for avoiding probate of real estate when the owners don't need the tax benefits of a trust.

Transferable Record

An Electronic Record under ESIGN and UETA that would otherwise be a note under Article 3 of the Uniform Commercial Code ("UCC") if it was in writing, that the issuer expressly has agreed is a Transferable Record; for purposes of ESIGN relates to a loan that is secured by a mortgage (on real property); and is presented to and signed by the Borrower(s) using eMortgage Process Technology. A Transferable Record is also referred to as an eNote.

UETA

The official text of the Uniform Electronic Transactions Act proposed by the National Conference of Commissioners on Uniform State Laws.

Underwriting Guidelines

The Underwriting Guidelines set forth in the Client Guide.

U.S. Possession or Territory

American Samoa, Guam, Marshall Islands, Federated States of Micronesia, Northern Marianas, Palau, Puerto Rico, U.S. Virgin Islands. Uniform Instruments.

VA LAPP

The Veterans Administration Lender Appraisal Processing Program.

Wraparound Mortgage

A refinancing technique involving the creation of a second mortgage which includes the balance due on any existing mortgages, plus the amount of the new secondary or junior lien.