



LENDING SPACE SELLER GUIDE

As of March 1, 2017 the Stearns Correspondent Seller Guide has been incorporated into the Flagstar Seller’s Guide as Appendix A – Lending Space Delegated Correspondent Seller Guide. Loans being delivered to Flagstar through the Lending Space system are subject to the terms of your existing Loan Purchase Agreement and Appendix A of the Flagstar Sellers Guide, and excluding all other sections which are reserved for loans being delivered through the Loantrac system.

1.1	About this Guide	7
1.1.1	Updates and Revisions	7
1.1.2	Announcements	7
2.1	Required Correspondent Qualifications	7
2.2	Approval Requirements	8
2.3	Approval Package – Required Documents	8
2.4.1	Correspondent Application.....	8
2.4.2	Correspondent Agreement.....	8
2.4.3	Licensing Requirements	8
2.4.4	Correspondent Financial Requirements.....	9
2.4.5	Other Requirements	9
2.5	Warehouse Lenders	10
2.5.1	Warehouse Lenders – Requirements	10
2.6	Annual Recertification Process	10
2.6.1	Correspondent Seller Agreement.....	11
2.7	Correspondent Program Outline	11
3.1	Acceptable Products	11
3.2	Program Guidelines	11
4.1	Best Effort Lock Policy	11
4.1.1	Best Effort Lock Terms	12
4.1.2	Best Effort Program Change after Lock	12
4.1.3	Best Effort Locked ARM Products	12
4.1.4	Best Effort Float Down Policy	13
4.1.5	Best Effort Relock Policy	13
4.1.6	Best Effort Extension Policy	13
4.1.7	Best Effort Confirmations	14
4.1.8	Best Effort Suspended Delivered Loans	14
4.1.9	Best Effort Pair-Off Fee	15
4.1.10	Best Effort Lock Procedures.....	15
4.2	Mandatory Policy	16
4.2.1	Mandatory Suspended Loans	16
4.2.2	Mandatory Lock Procedures	16
4.2.3	Mandatory Bulk Policy.....	17
4.2.4	Mandatory Bulk Terms	17
4.2.5	Mandatory Bulk Program Change after Executed Trade.....	17
4.2.6	Mandatory Bulk Substitution Policy.....	17
4.2.7	Mandatory Bulk Extension Policy for Loans Delivered.....	17
4.2.8	Mandatory Bulk Extension Policy for Loans Not Delivered	18

4.2.9	Mandatory Bulk Confirmations.....	18
4.2.10	Mandatory Bulk Pair-Off Fee.....	18
4.3	Mandatory Single Loan Policy.....	18
4.3.1	Mandatory Single Loan Program Change after Executed Trade.....	18
4.3.2	Mandatory Single Loan Substitution Policy.....	18
4.3.3	Mandatory Single Loan Extension Policy for Loans Delivered.....	18
4.3.4	Mandatory Single Loan Extension Policy for Loans Not Delivered.....	19
4.3.5	Mandatory Single Loan Confirmations.....	19
4.3.6	Mandatory Single Loan Relocked Loans.....	19
4.3.7	Mandatory Single Loan Pair-Off Fee.....	19
5.1	Available Tools.....	19
5.2	Underwriting Decisions.....	20
5.2.1	Final Approval.....	20
5.2.2	Seasoning for Closed Loans.....	20
5.2.3	Suspended Loans.....	20
5.3	Automated Portals and Underwriting Engines.....	20
5.3.1	Flagstar Correspondent Purchasing System.....	20
5.3.2	Fannie Mae Desktop Originator.....	20
5.3.3	Fannie Mae Desktop Underwriter (DU).....	20
5.3.4	Freddie Mac Loan Product Advisor.....	21
5.3.5	Guaranteed Underwriting System – USDA Rural Housing Automated Underwriting System.....	21
5.4	Government Loan Programs.....	21
5.4.1	FHA Programs.....	21
5.4.2	Technology Open to Approved Lenders (TOTAL) Scorecard Required.....	21
5.4.3	VA Loan Programs.....	21
5.4.4	USDA – Rural Housing Program.....	21
5.4.5	USDA Program – USDA Guarantee Fee.....	22
5.5	Credit Requirements and Documents.....	22
5.6	Loan Quality Initiative (LQI).....	22
5.7	Limited Denials of Participation and General Services Administration Lists.....	22
5.8	Mortgage Insurance.....	23
5.9	Approved States and State Restrictions.....	23
5.9.1	Community Property.....	23
5.10	Pre-Funding Quality Assurance.....	24
5.11	Fraud Prevention.....	24
5.11.1	IRS 4506-T Tax Transcripts Request Form.....	24
5.11.2	Social Security Validation.....	24
6.1	Appraiser Independent Requirements.....	24
6.1.1	Appraisal Quality Control.....	24
6.1.2	Appraisal Misconduct Reports.....	24
6.1.3	Statement of Policy and Procedures in Accordance with AIR.....	25
6.2	Appraisal Requirements.....	25
6.2.1	Uniform Appraisal Data Set.....	25
6.2.2	Portability of Appraisals.....	25

6.3	Condo / PUD.....	25
6.4	Appraisal.....	25
7.1	Closing Documents	26
7.2	Mortgage Electronic Registration System (MERS)	26
7.3	Closing Requirements	26
7.4	Document Submission	26
7.4.1	Credit File.....	26
7.5	File Delivery Instructions	27
7.5.1	Purchasable Loans	28
7.5.2	Delinquent Loans.....	28
7.5.3	Escrowed Loans	28
7.5.4	Amortized Loan Purchase.....	28
7.5.5	Post-Purchase Adjustments	29
7.6	Government Loans	29
7.6.1	FHA, VA, and USDA Loans	29
7.6.2	Insurance Requirements for Closed Loans.....	29
7.7	Non-Permanent Resident Alien	29
8.1	Conventional Appraisal Re-Inspection Requirements.....	30
8.1.1	Property Condition Certification Form.....	30
8.1.2	Property Inspection Waiver (PIW).....	30
8.1.3	Appraisal Collateral Alternative (ACE)	30
8.2	FHA Appraisal Re-Inspection Requirements	30
8.2.1	FHA Mortgages Pending Closing	31
8.2.2	FHA Mortgages that are Closed but not yet Endorsed (Insured)	31
8.3	USDA Appraisal Re-Inspection Requirements	31
8.4	VA Appraisal Re-Inspection and Natural Disaster Policy.....	31
9.1	Correspondent’s Compliance Responsibilities	32
9.2	Disclosure Requirements.....	33
9.3	Anti-Predatory and High Cost Loan Policies	33
9.4	Higher Priced Mortgage Loans.....	33
9.4.1	Requirements	33
9.4.2	Ineligible Loans	34
9.4.3	Required Correspondent File Documentation	34
9.4.4	Average Prime Offer Rate	35
9.5	Ability to Repay (ATR) and Qualified Mortgages (QM)	35
9.6	Fair Lending.....	35
9.7	Anti-Money Laundering (AML).....	35
9.8	Privacy	36
9.8.1	Confidential Information	36
9.8.2	Exceptions	36

9.8.3	Security and Use	36
9.8.4	Return or Destruction	36
9.8.5	Disclosure	37
9.8.6	Security Breach	37
10.1	Introduction	37
10.2	Commitment/Trade Confirmation	37
10.3	Underwriting	38
10.5	Indemnification	45
10.6	Early Payment Default (EPD)	46
10.7	Repurchase of Loans	46
10.8	Waiver	47
10.9	Reproduction of Documents	47
10.10	Further Assurances	47
10.11	No Solicitation	47
10.12	Right of Offset	48
10.13	Notification of Change in Status or Adverse Information	48
10.14	Relationship of Parties	48
10.15	Interim Servicing	49
10.16	Definitions	49

Chapter 1 - Overview

1.1 About this Guide

The purpose of the Delegated Correspondent Seller Guide (hereinafter, the Seller Guide, or the Guide), is to provide information that will assist the Correspondent with transactions, from application to loan purchase. The Guide includes information on how to become an approved Flagstar Bank Correspondent, requirements for acceptable loans, and details pertaining to Flagstar Bank underwriting policy.

Additionally, this Guide sets forth the general information, policies and procedures, terms and conditions, and loan program requirements, which are applicable to all loan purchase transactions conducted between Flagstar Bank and its approved correspondent lenders.

With respect to loans sold to Flagstar Bank, and in addition to the Correspondent Agreement and any other agreements between Flagstar Bank and the Correspondent lender, each Correspondent lender is bound by all provisions of this Guide and is responsible for adhering to all requirements contained in this Guide, as well as, [Agency Guidelines](#), available on individual agency websites and accessible through the [Flagstar Bank Delegated Correspondent](#) website, and [Announcements](#) published on the website.

All policies, programs and products are subject to change at any time.

1.1.1 Updates and Revisions

Flagstar Bank updates the Correspondent Seller Guide from time-to-time, and incorporates relevant new and revised policies and procedures, as well as information pertaining to state and federal regulations.

1.1.2 Announcements

Flagstar Bank communicates updates and revisions to Company policies and procedures through announcements located on the website. The announcements are effective immediately upon posting to the Flagstar Bank Delegated Correspondent website, unless the announcement indicates a different effective date. The announcements provide detailed and current information pertaining to each particular new, revised, or additional policy and/or procedure. It is the responsibility of the Correspondent to refer to announcements, for new and revised information.

Chapter 2 - Program Participation Requirements

2.1 Required Correspondent Qualifications

The following minimum criteria are required to qualify as a Flagstar Bank Correspondent. The Correspondent must:

- Be in business for at least two years prior to conducting business with Flagstar Bank. Newer firms must have principals with a minimum of five years of experience and sound financials.
- Present proof of the following minimum net worth amounts:
 - \$1,000,000 minimum audited net worth.
 - \$2,500,000 minimum audited net worth for Correspondent applying for third-party origination approval.
 - \$2,500,000 minimum net worth for participating in mandatory trade activities.
- Have errors and omissions insurance at a minimum coverage amount of \$300,000, and a maximum deductible of \$50,000.

- Have a traditional warehouse facility with a minimum line amount of \$2,500,000. Note that cash fundings are only permitted for bank and credit union Correspondents.
- Have strong investor report cards.
- Be properly licensed and authorized to originate and warehouse loans, meeting Flagstar Bank's Correspondent product line and underwriting standards.
- Have a rating of good standing with all governmental licensing and revenue collection agencies.
- Show an acceptable personal credit profile for all principal officers, owners and/or partners.

A Correspondent who has been suspended, has an open judgment in excess of \$10,000, or is currently under investigation by any governmental agency, will not receive approval. Past credit issues are reviewed on a case-by-case basis.

2.2 Approval Requirements

All of the Correspondent approval requirements outlined in this section must be met in order to attain approval and conduct business as a Correspondent with Flagstar Lending.

2.3 Approval Package – Required Documents

Correspondents are required to submit the documents outlined below in the application package.

2.4.1 Correspondent Application

The following is required for ensuring the Correspondent Application is complete and acceptable:

- All Correspondent/company information must be included.
- All principal/owner references must be included.
- All questions/declarations indicating a Yes answer must be fully explained.
- If licensed in multiple states, the following requirements apply:
 - Copy of each state lender license or NMLS verification must be attached, or
 - Current printout from the [NMLS Consumer Access](#) webpage must be provided.
- If the Correspondent has multiple branches, copies of the branch lender license (if branch licensing is applicable), or NMLS branch verification must be attached.
- Lender references must be indicated on the application.
- Signature of at least one of the principals/officers is required.

2.4.2 Correspondent Agreement

The following is required to ensure that the Correspondent Loan Purchase and Sale Agreement (hereinafter, the Correspondent Agreement, or the Agreement) is complete and acceptable:

- All pages of the Agreement must be received.
- The Agreement must be the current version.
- Signature of at least one of the principals/officers is required.
- Alterations made by the Correspondent are prohibited. Flagstar will not accept the application if the Correspondent modifies the agreement.

2.4.3 Licensing Requirements

In accordance with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act), Correspondents are required to obtain and maintain a record through the National Mortgage Licensing System (NMLS), and the necessary license or registration in each state in which they conduct business. The following is required to ensure that the Company's licensing requirements are met:

- Current Correspondent lender license (issued by the applicable authorities):
 - Is required for all states in which the Correspondent originates loans, and
 - Must be verified as active through NMLS. Paper copies are required for licenses issued by states not verifiable through NMLS for example, Missouri and Delaware.
- Correspondent must have a company record and an ID number on the NMLS system.

2.4.4 Correspondent Financial Requirements

The following documents must be provided:

- Most recent two years of financial statements, reflecting net worth, as outlined in Section 2.1 Required Correspondent Qualifications.
- Current interim balance sheet certified and dated by a company officer.
- Current profit and loss statement certified and dated by a company officer.

2.4.5 Other Requirements

The following additional requirements apply, as noted:

- Current resumes of all principals/officers, establishing a solid background in the industry.
- Organizational chart, reflecting the names and functional titles of key staff.
- W-9 Request for Taxpayer Identification Number form, completed, signed, and dated by one of the principals.
- Current fictitious business name statement or similar state document.
- Corporations must also provide:
 - Corporate Resolution
 - Articles of Incorporation
- Limited Liability Companies (LLCs) must also provide:
 - Corporate Resolution
 - Articles of Organization
- Letters of explanation for any unusual issues or concerns, such as derogatory marks against the Correspondent's license.
- Information on warehouse line(s) including name of warehouse lender, line amount, date line was established, termination or renewal date.
- Investor scorecards.
- Copy of Fidelity Bond (minimum of \$300,000) and Errors and Omissions (E&O) insurance at a minimum of \$300,000 with a \$50,000 deductible.
- Proof of Mortgage Electronic Registration System (MERS) membership.
- Vendor Management Plan, if Correspondent outsources any fulfillment (processing, underwriting, closing/funding) or quality control activities.
- Appraisal Management Policy and Procedures.
- Quality Control (QC) plan and most recent 6 months' QC Audits.
- Compliance Policies related to Fair Lending, Privacy, Data Security, and Anti-Money Laundering (AML).
- Compliance Monitoring Policy and Procedure and results of most recent 3 months' internal compliance reviews/audits and/or third party exams/reviews.
- Federal Housing Administration (FHA) approval letter (required only for Correspondents planning to originate FHA loans with Flagstar).
- United States Department of Veterans Affairs (VA) approval letter (required only for Correspondents planning to originate VA loans with Flagstar).

- Completed *Affiliate Certification Disclosure Correspondent* form, which can be found on the Correspondent Website on the [Forms/Exhibits](#) tab.
- Copy of Current City Business License, if applicable.

2.5 Warehouse Lenders

Upon application, the Correspondent is required to provide information regarding the Correspondent's active warehouse line(s) of credit. Acceptable warehouse lenders are:

- State or federally insured banks
- Independent mortgage bankers
- State or federally insured credit unions
- Investment banks
- Other warehouse lenders (subject to prior approval by Flagstar)

2.5.1 Warehouse Lenders – Requirements

The following requirements apply to all warehouse lenders:

- Correspondent must ensure warehouse lender is notified and approves Flagstar as the take-out investor before Flagstar approves the Correspondent's application.
- Any additional warehouse lenders obtained by the Correspondent must also be approved, through the Flagstar Third Party Origination (TPO) Administration, before funding loans on these lines.
- At loan closing, the warehouse lender information must match the data most recently provided by the Correspondent. Flagstar validates the wire authorization with the warehouse lender for each loan purchased. If the wire authorization does not match the warehouse lender, Flagstar requires the Correspondent to complete the necessary documents in order to bring the information current, prior to purchasing the loan.

Flagstar re-verifies the information no less than once during the annual recertification process. Refer to the [Annual Recertification Process](#) section below for additional information.

2.6 Annual Recertification Process

Flagstar performs an annual recertification on all approved Correspondents. Notices are sent each year during the month in which the Correspondent received the original approval, requesting the following:

- A complete Recertification Correspondent Application:
 - All company/Correspondent information must be included.
 - All principal/owner references must be included.
 - Questions/declarations must be fully completed and explanation attached if answered yes.
 - Lender references must be indicated on the application.
 - Signature of at least one of the principals must be included.
- Corporate Resolution – required if the company has undergone changes (applicable to partnership, LLP, LLC, or corporation).
- Articles of Incorporation or Organization – required if ownership or principals changed (applicable to LLP, LLC, or corporation).
- Form W-9 Request for Taxpayer Identification Number – completed, signed, and dated by one of the principals.
- Current resumes of all principals are required (if ownership changed).
- A company record and an ID number on the NMLS system.
- The most recent 2 years' audited financial statements.
- Current interim balance sheet and P&L statement for the company, certified and dated by a company officer.

- Current QC and Compliance Monitoring Plans and most recent 6 months' QC and compliance review/audit reports.
- Most recent vendor management review of Appraisal Management Company/Companies (AMC) used by Correspondent and other vendors performing material fulfillment functions.
- Current Correspondent lender license (issued by the applicable authorities) is required for all states in which the Correspondent originates loans, and must be verified through NMLS. Paper copies are required for licenses issued by states not verifiable through NMLS (for example, Missouri and Delaware).

2.6.1 Correspondent Seller Agreement

Correspondent hereby agrees to perform all obligations and agreements, make all representations and warranties and comply with all the provisions of the Correspondent Agreement and the Seller Guide, including any policies and procedures contained in the announcements, or other similar communications, as may be modified or amended periodically.

2.7 Correspondent Program Outline

Once approved, the Correspondent may begin conducting business transactions with Flagstar. The following outlines Flagstar's' Correspondent loan submission process:

1. Originate the loan directly through the Correspondent's retail/wholesale operations
2. Close the loan in the Correspondent's own name and warehouse line
3. Upload the loan to the Flagstar Correspondent Purchasing System for compliance/data integrity review, and purchase.

Chapter 3 - Correspondent Loan Programs

All products and services approved in accordance with this Correspondent Seller Guide and agency guidelines are available to approved Correspondents.

3.1 Acceptable Products

Flagstar purchases eligible first-lien, purchase, and refinance loans (excluding reverse mortgage loans) from the following entities:

- Fannie Mae (FNMA)
- Freddie Mac (FHLMC)
- Federal Housing Administration (FHA)
- United States Department of Veterans Affairs (VA)
- United States Department of Agriculture and Rural Development

3.2 Program Guidelines

The following lists the matrices based on which Flagstar loans are underwritten.

- Flagstar Overlay matrices are accessible through the website:
 - Conventional Overlay Matrix
 - Government Overlay Matrix

Chapter 4 - Registration and Locks

A loan rate lock is an agreement between an approved Correspondent and Flagstar. A lock specifies the number of days for which a loan's interest rate is guaranteed on a specified loan program.

4.1 Best Effort Lock Policy

The following restrictions apply to locks:

- Correspondents must be approved prior to submitting a lock request.
- Changes to the terms of the loan may change the terms of the lock agreement.
- Due to the nature of the market, pricing is subject to change at any time without notice. At such times, Flagstar will suspend pricing on the Flagstar Correspondent Purchasing System and send notifications. However, the Company is not responsible for any failure of the Correspondent to receive such notifications. Pricing and available rates will become effective immediately upon transmission by Flagstar.
- Any locks received after the price change notice time are subject to the new pricing unless, on the same day, Flagstar receives a request from the Correspondent not to lock the loan.
- An email notification is sent to the Correspondent, which outlines the change(s) with a specified time for the new price to begin. The email notice is effective upon transmission by Flagstar to the email address designated by the Correspondent.

The interest rate market is subject to movements without advanced notice. Locking a rate protects the Correspondent from the time that the lock is confirmed to the date the lock period expires.

4.1.1 Best Effort Lock Terms

Locks are only accepted Monday through Friday 8:45a.m. EST - 7:45p.m. EST. The following restrictions pertain to locks:

- Incomplete and/or inaccurate lock requests are not processed.
- When a lock is canceled or expires and is not extended prior to expiration, then current rates do not apply until 61 days have passed after the cancellation or expiration, with the exception of ARM or Specialty Products, which are reviewed on a case-by-case basis.

Rates are subject to change at any time.

4.1.2 Best Effort Program Change after Lock

In situations where the Correspondent changes the loan program after lock, the date of the lock will, in most cases, revert to the original lock date. However, if the program is changing from a Fixed to an ARM, or an ARM to a Fixed, worst-case pricing is applied. The final price for relocked loans, subject to worse case pricing, is calculated as follows:

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

4.1.3 Best Effort Locked ARM Products

The following restrictions apply to locked ARM products:

- Requests for ARM extension are determined on a case-by-case basis (a market extension applies).
- If a loan is locked and then canceled, worst-case pricing is applied when relocking. Relock fees are determined on a case-by-case basis.
- Changing loan terms could invoke worst-case pricing, and is handled on a case-by-case basis. This includes, but is not limited to, changing from one ARM type to another.

- If a loan is locked and changes to the lock term are required, or if a loan is locked in error and needs to be canceled, the request must be made in writing to the Lock Desk on the same day. If the lock is not canceled on the same day, then changes will be based on worst-case pricing.

4.1.4 Best Effort Float Down Policy

A float down is a mortgage rate lock with the option to reduce the locked interest rate if market interest rates fall during the lock period. All loans in an Approved status that are in the locked pipeline are eligible for a float down under the terms outlined below. You must call (866) 945-9872, option 2 to request a Float Down.

- The transaction:
 - May only be applied once per loan.
 - Must lower the borrower's interest rate by .125% or more.
 - Are not permitted on ARM or Specialty Product programs.
- Correspondent may not raise the rate and then request the rate to be lowered to the previous rate. Additionally, Correspondent may not raise the rate after a float down.
- Any prior lock extension or relock fees accumulated still apply.
- The new pricing will not exceed the original pricing after the rate reduction.
- Loans may be renegotiated for up to a one-time maximum of 30 days.
- Any request beyond a rate reduction of 0.50% is handled on a case-by-case basis.
- The price used for the renegotiation is based on the original lock term, regardless of the new lock period.
- Pricing is renegotiated based on the original lock term, with the following pricing and adjustments for that lock term:
 - A new lock period of 14 days for an additional cost.
 - A new lock period of 30 days for an additional cost.

4.1.5 Best Effort Relock Policy

Relocks are permitted with the below restrictions. Relocks must be requested by calling (866) 945-9872, option 2.

- Relocks are available only after a lock has expired and the loan has not been delivered for purchase.
- Relocks are permitted two (2) times in 14 day increments for a maximum cumulative term of 28 days. Commitments relocked less than 61 calendar days after the original lock expiration date are subject to worst-case pricing plus a relock fee.
- Any prior lock extension or re-lock fees accumulated still apply. Flagstar utilizes the price adjustments and commitment periods, as outlined on the rate sheet in effect, as of the relock date and time.
- Requests for relocks on ARM loans or specialty products are reviewed on a case-by-case basis and do not fall under these terms.
- Re-locks for commitments expired 61 or more days are subject to the current rate sheet price, with the exception of ARM or Specialty Products, which are reviewed on a case-by-case basis.
- Commitments relocked less than 61 calendar days after the original lock expiration date are subject to worst-case pricing.

4.1.6 Best Effort Extension Policy

Extensions are available for loans that have not been received for purchase under the following restrictions:

- The loan program and rates must be available and posted on the Flagstar rate sheet.
- Rates that are not posted are considered illiquid and are considered on a case-by-case basis.
- Requests for extensions on ARM loans are considered on a case-by-case basis.
- Extension requests can be made any time before the lock expires and prior to delivery. Refer to the [Suspended Delivered Loans](#) section below for restrictions on loans already delivered for purchase.
- Commitment expiration date may be extended up to 30 days, subject to the extension price adjustments outlined on the rate sheet in effect as of the extension date/time.
- Rates not posted on the rate sheet are considered on a case-by-case basis.
- If a loan has already been extended for 30 days, and additional time is requested, the request may be considered on a case-by-case basis. Flagstar will send an additional approval confirmation in the event that Flagstar elects, at its sole discretion, to grant a second extension on a loan.
- All requests for extensions must be submitted online to the Flagstar Correspondent Purchasing System.

4.1.7 Best Effort Confirmations

Within 24 hours after receipt of a lock request, Flagstar will email a confirmation to the Correspondent.

If Correspondent...	Then...
Does not receive the confirmation,	Within the 24-hour timeframe, Correspondent must notify the Flagstar Lock Desk that confirmation was not received.
Does not notify Flagstar within the 24-hour timeframe that confirmation was not received,	Flagstar will not honor the lock.

4.1.8 Best Effort Suspended Delivered Loans

Flagstar only purchases loans that are submitted with complete credit and funding documents. If a document or other type of deficiency is found to exist:

- The loan will not be purchased by Flagstar until such time as the deficiency is corrected. Prior to the date of correction, such loan will be placed in a Pending Conditions status in the Flagstar system. Flagstar may charge suspended delivered loan fees, as published on the Flagstar rate sheet:
- If loan is delivered prior to the lock expiration date, a grace period of 5 calendar days will be afforded from the date of the Suspense Notification for all conditions to be delivered. After the grace period expires, if the loan is not purchased and the lock has expired, then the loan is subject to the daily charge posted on the Flagstar rate sheet.
- Suspended delivered loan fees will be calculated on a per diem basis, for the number of calendar days the loan remains in suspense, up until the date the loan is purchased.
- If any deficiencies are not cleared within 30 days of the loan being placed in suspense, Flagstar, in its sole discretion, may return the loan to the Correspondent and charge a pair-off fee.
- If Flagstar, in its sole discretion, allows the loan to remain in suspense for longer than 30 days, the

suspended delivered loan fees, as published on the rate sheet, will continue to accumulate until the loan is purchased.

- If Flagstar, in its sole discretion, allows the loan to remain in suspense for longer than 30 days, the loan may be re-priced to the then current market and all previously applied fees will remain on the loan.
- Rates that are not posted on the current rate sheet are considered illiquid and will be considered on a case-by-case basis.
- All loan fees, including but not limited to the suspended delivered loan fees, extension and/or relock-renegotiated fees, will accumulate by the day and the Correspondent will be charged a per diem rate reflected on the rate sheet for that particular day, and all previously applied fees will remain on the loan until either the loan is funded or canceled.

4.1.9 Best Effort Pair-Off Fee

- The Best Efforts commitment option offers correspondents the ability to lock in a competitive price for a single Mortgage Loan, for a specific property and borrower(s), without incurring borrower-driven fallout risk.
- Fallout occurs with respect to a Best Efforts commitment when a correspondent cancels a commitment, when the commitment delivery due date lapses prior to the delivery of the Mortgage Loan to Flagstar Bank, or when Flagstar rejects a Mortgage Loan due to failure to meet Flagstar guidelines or commitment terms.
- If a Mortgage Loan closes, the respective commitment becomes a mandatory-delivery commitment and is subject to a pair-off fee.
- A pair-off fee will be calculated as follows:
 - If the MBS price on the pair off date is worse/lower than the original MBS price (rates have increased), there will not be a Pair Off fee assessed.
 - If the MBS price on the pair off date is better/higher than the original MBS price (rates have decreased), Pair Off fee will be market movement multiplied by the unpurchased amount of the original commitment amount +/- the 2.00% trade tolerance.
- Any extension or relock fees will be included in the Pair-off calculation. Pair-off fees may be invoiced or deducted from amounts to be paid to the Correspondent by Flagstar on other loans
- Flagstar Bank recognizes exceptional circumstances and may waive the pair-off fee, at its sole discretion. For example, if a correspondent locks a Best Efforts commitment and subsequently determines the Mortgage Loan does not meet Flagstar Bank eligibility requirements, or Flagstar Bank rejects a delivered loan due to a guideline violation, Flagstar may elect to waive the pair-off fee if the client has not exhibited a systematic trend of locking loans outside of guidelines.
- Note: Each Best Efforts commitment (i.e., lock, and relock, if applicable) counts toward a correspondent's fallout ratio. Flagstar Bank actively monitors fallout and may suspend or terminate a correspondent's selling privilege if excessive fallout occurs.
- The total price for each Mortgage Loan is comprised of the base price, loan-level price adjustment(s), each as noted on the applicable rate sheet. Each Mortgage Loan is subject to applicable fees in effect as of the commitment lock date/time, or as otherwise noted in the Guide.

4.1.10 Best Effort Lock Procedures

All locks, including extensions and relocks, must comply with the following requirements:

- All lock requests must be processed through the Flagstar Correspondent Purchasing System.

- The loan file and original Note must be delivered by Correspondent in purchasable condition on or before lock expiration date.
- Pipelines should be managed properly to maximize execution and avoid extensions.
- Expired Best Effort locks that have not been canceled will have a negative effect on the Correspondent's scorecard.
- Once a loan is closed and delivered, it is considered to be a mandatory commitment, and may be subject to a pair-off fee.

4.2 Mandatory Policy

This policy addresses Correspondent seller pricing requirements for mandatory trades including Mandatory Bulk and Mandatory Single Loan.

4.2.1 Mandatory Suspended Loans

Flagstar only purchases loans which are submitted with complete credit and funding documents. If a document or other type of deficiency is found to exist:

- The loan will not be purchased by Flagstar until such time as the deficiency is corrected. Prior to the date of correction, such loan will be placed in suspense in the Flagstar system. Flagstar may charge suspended delivered loan fees, as published on the Flagstar rate sheet, on such loans if:
 - The deficiency is not corrected and as result Flagstar does not purchase a Mandatory loan by:
 - Commitment expiration date – Mandatory Bulk
 - Lock expiration date – Mandatory Single Loan
 - Suspended delivered loan fees will be calculated on a per diem basis for Mandatory Bulk and Mandatory Single Loan, for the number of calendar days the loan remains in suspense, up until the date the loan is purchased.
 - If any deficiencies are not cleared within 30 days of the loan being placed in suspense, Flagstar, in its sole discretion, may return the loan to the Correspondent and charge a pair-off fee.
 - If Flagstar, in its sole discretion, allows the loan to remain in suspense for longer than 30 days, the suspended delivered loan fees, as published on the rate sheet, will continue to accumulate until the loan is purchased.
- If Flagstar, in its sole discretion, allows the loan to remain in suspense for longer than 30 days, the loan may be re-priced to the then current market and all previously applied fees will remain on the loan.
- Rates that are not posted on the current rate sheet are considered illiquid and will be considered on a case-by-case basis.
- All loan fees, including but not limited to the suspended delivered loan fees, extension and/or relock-renegotiated fees, will accumulate by the day and the Correspondent will be charged a per diem rate reflected on the rate sheet for that particular day, and all previously applied fees will remain on the loan until either the loan is funded or canceled.

4.2.2 Mandatory Lock Procedures

- All Bulk Bid Tapes should contain the following data:

– Bid Type	– Lock Period	– Borrower
– Property address	– SSN	– MI Coverage
– Loan #	– Loan Program	– Term

- | | | |
|---------------|-----------------|-------------------|
| - Loan Amount | - Interest rate | - Property State |
| - LTV | - CLTV | - Credit Score |
| - DTI | - Purpose | - Occupancy Code |
| - Cash-Out | - Property Type | - Doc Type |
| - Impounds | - AUS | - Appraised Value |

- Pipelines should be managed properly to maximize execution and avoid extensions.
- Loans must be delivered within 5 calendar days of the Lock Date in order to be eligible for the grace period, as detailed in this guide.

Mandatory Lock Procedures apply for Mandatory Bulk and Mandatory Single.

4.2.3 Mandatory Bulk Policy

The policy for Mandatory Bulk is as follows:

- Correspondents must be approved for mandatory trading prior to submitting a bid request.
- Mandatory Bulk bids are available when aggregate volume is \geq \$1.0M, and are subject to a live bid (and corresponding market movement).
- If the loan was delivered within 5 calendar days of the lock date, a grace period of 5 calendar days will be afforded from the date of the Suspense Notification for all conditions to be delivered. After the grace period expires, if the loan is not purchased and the lock has expired, the loan is subject to a fee of 2 bps per day. Note, any trade less than 14 days does not have the grace period and is subject to a roll fee of -1.5 bps per day

4.2.4 Mandatory Bulk Terms

The terms for Mandatory Bulk are as follows:

- Trades must be finalized between 7:30 a.m. and 1:30 p.m. PST.
- Incomplete and/or inaccurate trade requests will not be processed.
- Flagstar reserves the right to cancel a trade if supplemental data is not uploaded on the day of the trade.

4.2.5 Mandatory Bulk Program Change after Executed Trade

Program changes are not allowed on Mandatory Bulk.

4.2.6 Mandatory Bulk Substitution Policy

Substitutions for Mandatory Bulk are permitted on a case-by-case basis with the following restrictions:

- Substituted loan must comply with original expiration dates.
- Borrower and loan characteristics must be similar.
- Any prior extension fees accumulated still apply.

4.2.7 Mandatory Bulk Extension Policy for Loans Delivered

If the loan was delivered within 5 calendar days, a grace period of 5 calendar days will be afforded from the date of the Suspense Notification for all conditions to be delivered. After the grace period expires, if the loan is not purchased and the lock has expired, the loan is subject to a per day charge of 2 bps. Note, any trade less than 14 days does not have the grace period and is subject to a roll fee of 1.5 bps per day.

- Loans may be extended up to 30 days, subject to a per day charge.
- Loan extensions may exceed 30 days on a case-by-case basis.
- Any loan that has not been purchased within 30 days of the commitment ('lock' for Single Loan)

expiration date may be paired-off.

4.2.8 Mandatory Bulk Extension Policy for Loans Not Delivered

A commitment ('lock' for Single Loan) extension is available for unexpired loans that have not been delivered under the following restrictions:

- Flagstar must be notified prior to the commitment expiration date.
- Loans may be extended up to 30 days, subject to a -2 bps charge per day.
- Any loan that is not delivered within 7 days of the commitment ('lock' for Single Loan) expiration date may be paired-off.
- Any loan that has not been purchased within 30 days of the commitment ('lock' for Single Loan) expiration date may be paired-off.
- A loan that is delivered outside of 7 days of the original commitment expiration date will be considered on a case-by-case basis and may be subject to the lower of current market price/original market price plus any accumulated fees.

4.2.9 Mandatory Bulk Confirmations

Within 24 hours after receipt of a lock request, Flagstar will email a confirmation to the Correspondent.

4.2.10 Mandatory Bulk Pair-Off Fee

A pair-off fee may be assessed, at Flagstar's discretion, if a loan in a mandatory commitment is not delivered or purchased. The market price used to determine the pair-off pricing is at the time the loan is canceled (either by Flagstar or correspondent). To determine the pair-off fee:

- If the MBS price on the pair off date is worse/lower than the original MBS price (rates have increased), there will not be a Pair Off fee assessed.
- If the MBS price on the pair off date is better/higher than the original MBS price (rates have decreased), Pair Off fee will be market movement multiplied by the unpurchased amount of the original commitment amount +/- the 2.00% trade tolerance.

4.3 Mandatory Single Loan Policy

A Single Loan Mandatory loan transaction is eligible for a pay-up of 5 bps to the Best Effort rate sheet. The loan must be purchased by the end of the lock expiration date. If the loan is not purchased, it will either be extended or a pair-off fee will be assessed.

4.3.1 Mandatory Single Loan Program Change after Executed Trade

Program changes are not allowed on Mandatory Single Loan trades.

4.3.2 Mandatory Single Loan Substitution Policy

Substitutions for Mandatory Single Loan trades are permitted on a case-by-case basis with the following restrictions:

- Substituted loan must comply with original expiration dates.
- Borrower and loan characteristics must be similar.
- Any prior extension fees accumulated still apply.

4.3.3 Mandatory Single Loan Extension Policy for Loans Delivered

If the loan was delivered prior to the lock expiration date, a grace period of 5 calendar days will be afforded from the date of the Suspense Notification for all conditions to be delivered. After the grace period expires, if the loan is not purchased and the lock has expired, the loan is subject to a fee of 2 bps

per day. Note, any trade less than 14 days does not have the grace period and is subject to a roll fee of 1.5 bps per day:

- Loan may be extended up to 30 days, subject to a -2 bps charge per day.
- Loan extensions may exceed 30 days on a case-by-case basis.
- Any loan that has not been purchased within 30 days of the commitment ('lock' for Single Loan) expiration date may be subject to a pair-off fee.

4.3.4 Mandatory Single Loan Extension Policy for Loans Not Delivered

A lock extension is available for unexpired loans that have not been delivered under the following restrictions:

- Flagstar must be notified prior to the commitment expiration date.
- A loan may be extended up to 30 days, subject to a - 2.5 bps charge per day.
- Any loan that is not delivered within 5 days of the commitment ('lock' for Single Loan) expiration date may be paired-off.
- Any loan that has not been purchased within 30 days of the commitment ('lock' for Single Loan) expiration date may be paired-off.
- A loan that is delivered outside of 5 days of the original commitment expiration date will be considered on a case-by-case basis and may be subject to the lower of current market price/original market price plus any accumulated fees.

4.3.5 Mandatory Single Loan Confirmations

After a Single Loan Mandatory Lock request is completed, a lock confirmation is available on the Flagstar Correspondent Purchasing System. Single Loan Mandatory locks can also be extended on the Purchasing System. Direct Trade and Bulk Bid Commitments will be emailed immediately after the trade is committed by the Mandatory Trade Desk.

4.3.6 Mandatory Single Loan Relocked Loans

Flagstar does not offer Relocks on Mandatory Single Loans.

4.3.7 Mandatory Single Loan Pair-Off Fee

A Pair-off fee may be assessed, at Flagstar's discretion, if a loan in mandatory commitment is not delivered or purchased. The market price used to determine the pair-off pricing is at the time the loan is canceled (either by Flagstar or correspondent). To determine the pair-off fee:

- If the MBS price on the pair off date is worse/lower than the original MBS price (rates have increased), there will not be a Pair Off fee assessed.
- If the MBS price on the pair off date is better/higher than the original MBS price (rates have decreased), Pair Off fee will be market movement multiplied by the unpurchased amount of the original commitment amount +/- the 2.00% trade tolerance.

Chapter 5 - Underwriting

5.1 Available Tools

The following are tools intended to assist the Correspondent with the loan process:

- Agency guidelines are available on individual agency websites, and accessible through the Flagstar Delegated Correspondent website.
- This Seller Guide contains a broader spectrum of the mortgage requirements published by Flagstar. In this

section, various general requirements and restrictions are outlined and provide additional information on Correspondent loan eligibility. Agency guidelines and the Flagstar Underwriting Guidelines are subject to change at any time.

5.2 Underwriting Decisions

5.2.1 Final Approval

The Correspondent must upload the closing documents for review and final approval by Flagstar. Refer to [Chapter 7 – Closing Process](#) for details.

5.2.2 Seasoning for Closed Loans

Flagstar requires all closed loans to be delivered on or before 45 days after the Note date. Loans aged longer than 45 days are eligible for purchase, subject to Flagstar Underwriting, Purchasing, Quality Control reviews, and VP of Credit Compliance approval.

If said loan was an investor decline, the declination letter must be included. Loans cannot be held in cash. Pricing is decided on a case-by-case basis. When a conventional loan is not purchased on or before 75 days after the note date, an updated appraised value will be required. If the value declines, the loan may no longer be eligible for purchase.

5.2.3 Suspended Loans

The following apply to suspended loans:

- Loans in suspense must be cured within 30 calendar days from the date of the suspense.
- If the suspended loan is not cured and Flagstar has received the original Note, the Note endorsement will be canceled, and the Note returned to the Correspondent's warehouse lender or custodian.

5.3 Automated Portals and Underwriting Engines

5.3.1 Flagstar Correspondent Purchasing System

The Flagstar Correspondent Purchasing System is accessible on the website with provided user name and password. The Purchasing System is used to register, lock loans and run scenarios, and also offers robust reporting capabilities. Additionally, the Flagstar Correspondent Purchasing System is used to upload the 3.2 file, loan documents, appraisal, and view outstanding conditions for delegated loans.

5.3.2 Fannie Mae Desktop Originator

The Fannie Mae (FNMA) desktop originator:

- Allows the Correspondent to submit loans directly into Desktop Underwriter (DU) and obtain preliminary findings, without selecting an investor or product, prior to submission of a loan into the DU engine.
- Submissions must contain evidence of the final submission status. To verify this information, the Correspondent must provide a printout of the DU findings.

5.3.3 Fannie Mae Desktop Underwriter (DU)

The following applies to the FNMA desktop underwriter:

- The DU Findings Report identifies the DU recommendation and other messages concerning the loan, including the conditions for approval.
- A letter that is acceptable to Flagstar must be provided by the Correspondent to explain the reason for excessive submissions if the AUS addresses excessive submissions.

- All red flags noted on the DU findings report must be addressed by the Correspondent.

5.3.4 Freddie Mac Loan Product Advisor

The Freddie Mac (FHLMC) Loan Product Advisor (LPA) system:

- Allows the Correspondent to submit loans directly into the FHLMC LPA system without selecting an investor or product, prior to submission of a loan into the AUS engine.
- Loan Product Advisor (LPA) approved loans are acceptable. Refer to agency guidelines for additional details.

5.3.5 Guaranteed Underwriting System – USDA Rural Housing Automated Underwriting System

The United States Department of Agriculture (USDA) Guaranteed Underwriting System (GUS):

- Is available to Correspondents approved with USDA to originate and close loans under the Rural Housing Program.
- Correspondents must provide the final GUS approval with loan submission to Flagstar.

5.4 Government Loan Programs

5.4.1 FHA Programs

To qualify loans for Flagstar FHA Programs, the Correspondent must:

- Be approved to originate and close FHA loans.
- Meet the criteria set forth by the [Department of Housing and Urban Development \(HUD\)](#).
- Be an FHA Direct Endorsement Mortgagee.

Correspondent should follow these procedures in addition to current and upcoming HUD updates.

5.4.2 Technology Open to Approved Lenders (TOTAL) Scorecard Required

Flagstar approves the use of TOTAL Scorecard as an acceptable decisioning engine. For more information regarding TOTAL Scorecard, refer to the [HUD website](#).

5.4.3 VA Loan Programs

A Correspondent submitting loans under the US Department of Veterans Affairs (VA), must be approved by same as a Lender with Automatic Authority.

5.4.4 USDA – Rural Housing Program

United States Department of Agriculture (USDA) offers unique financing to those borrowers who qualify under income criteria on the purchase or refinance of properties that are located within a qualified jurisdiction. However, as USDA is granted funds annually for this program, there is a chance funds may not be available when the loan is ready for guaranteeing. The Correspondent should obtain the most recent information regarding funds availability from the local USDA office. Correspondent may request reserve funds as permitted by the USDA. USDA funds are available under the following restrictions:

- Correspondent must be an approved lender with the USDA (not acting as an agent on Flagstar's behalf).
- Correspondent must underwrite through GUS and must submit to the Regional Rural Development office.
- Evidence must be provided of the guarantee fee paid to Rural Housing prior to purchase.
- Loan Note Guarantee must be submitted by Correspondent within 30 days of closing.
- Correspondent must submit the following information to the Regional Rural Development office to

obtain lender approval:

- Statement indicating the Correspondent's lending institution type of operation (retail, wholesale, loan servicer, etc.), the specific states or counties in which business is conducted, and complete contact information for the individual serving as the primary contact for the Correspondent's Guaranteed Rural Housing (GRH) loans.
- Complete contact information for Correspondent's branch locations, loan processing/underwriting departments, loan servicing, and a contact person for loan production.
- A signed/dated Form RD 1980-16, Agreement for Participation in Single Family Housing Guaranteed/Insured Loan Programs of the US Government.
- Verification of the Correspondent's current eligibility certification and the agency-assigned ID numbers from at least one of the following:
 - HUD – FHA Approval for Title II (with direct endorsement authority).
 - VA (Federal VA approval with automatic guarantee authority).
 - FNMA – Form 582 Lender Record Information.
 - FHLMC – Form 16SF Annual Eligibility Certification Report.
 - Federal Home Loan Bank (FHLB) Membership Letter and N/O Exception Required.
 - Statement of participation as an approved lender in guaranteed loan programs of the Rural Housing Community Development Service, Rural Business- Cooperative Development Service, Rural Utilities Service, or Consolidated Farm Service Agency.
 - Federal Tax ID Number.
 - Names, titles and responsibilities of Correspondent's principal officers (senior management staff).
 - An outline of the Correspondent's internal loan criteria for reviewing a borrower's credit history and loan repayment ability, indicating which standard HUD-FHA, Federal VA, FNMA or FHLMC guidelines Correspondent is using.
 - Copy of Correspondent's Quality Control (QC) plan for monitoring production and servicing activities.

Refer to [Rural Development Instruction 1980-D, 1980.309 Lender Participation](#) for additional information regarding eligibility and lender responsibilities. Questions regarding lender participation can be directed to the Correspondent's local Rural Development State Office.

5.4.5 USDA Program – USDA Guarantee Fee

Flagstar Underwriting Guidelines available through the Flagstar Correspondent Purchasing System.

5.5 Credit Requirements and Documents

For specific credit requirements, refer to agency guidelines available on individual agency websites, and accessible through the website.

5.6 Loan Quality Initiative (LQI)

The Correspondent is required to comply with the FNMA/FHLMC Loan Quality Initiative for all Conventional loan applications dated on or after June 1, 2010. Among the requirements noted in the LQI are:

- Confirmation that all parties to the mortgage transaction meet certain qualifications.
- Determination that all borrowers' debts are included in the qualification for the mortgage loan.

5.7 Limited Denials of Participation and General Services Administration Lists

The following applies to Limited Denials of Participation (LDP) and General Services Administration (GSA) lists:

- Correspondent must confirm that no parties to an FHA, VA, or USDA loan (GSA loans), including third party vendors such as appraisers, are on the LDP and GSA excluded parties list.
- These lists of excluded parties are public, federal, and government lists; should any party to the transaction appear on either of these lists, the loan will be ineligible for purchase by Flagstar.
- LDP printouts are obtained through the HUD LDP webpage.
- GSA printouts are available through <https://www.sam.gov/portal/public/SAM/>.

5.8 Mortgage Insurance

Correspondent should refer to current Mortgage Insurance (MI) and coverage requirements, published by individual Mortgage Insurance (MI) companies, as well as the applicable agency requirements. The following mortgage insurance vendors have been approved by Flagstar:

- Radian
- Genworth
- Essent
- MGIC
- National MI
- Arch MI

5.9 Approved States and State Restrictions

Flagstar purchases loans secured by properties in 49 states and the District of Columbia with the following additional restrictions:

- Properties located in Lava Flow Hazard Zones 1 or 2 in the state of Hawaii, are not eligible, as determined by the US Geological Survey.
- Correspondent must be approved with the appropriate state licensing authorities and in good standing in order to lend in a particular state.
- Proof of state approval must be presented for Correspondent loans to be considered for purchase.
- Correspondent is responsible for adhering to all federal, state, municipal, and other applicable legal and regulatory requirements.
- Some states require Net Tangible Benefit or Benefit to Borrower calculations (and specific form completion). Follow appropriate agency and state guidelines for correct documentation.

5.9.1 Community Property

For information on origination in the below community property states, refer to the website.

- Arizona
- California
- Idaho
- Louisiana
- Nevada
- New Mexico
- Texas
- Washington

- Wisconsin

5.10 Pre-Funding Quality Assurance

Correspondent is responsible for maintaining Quality Control (QC) procedures, as required by Fannie Mae, Freddie Mac, and if applicable, FHA and VA, and as described in the Correspondent's quality control policy, provided at time of Correspondent approval or review approval.

5.11 Fraud Prevention

5.11.1 IRS 4506-T Tax Transcripts Request Form

- The IRS 4506-T Tax Transcript Request form:
- Is used to validate that the current income used to qualify for the loan is reasonable compared to the borrower's prior earnings. Acceptable results are required on all borrower income, and on all loan programs (with the exception of FHA Streamline Refinances) for loan purchase eligibility.
- Correspondent must adhere to AUS findings for number of years verification required.
- Correspondent must adhere to AUS findings for number of years required. Those years must be noted on the signed 4506-T.
- Any difference between the income validated by the tax return information provided, and the income used to qualify in the AUS results, must be reasonable and fully supported by additional documentation in the loan file.
- Correspondent may wish to order a Record of Account from the IRS if the borrower has filed amended returns.

5.11.2 Social Security Validation

A Social Security validation is required, and when used in conjunction with the credit report and borrower documentation, the validation enables the Correspondent to determine the accuracy of the information provided.

Chapter 6 - Appraisal

6.1 Appraiser Independent Requirements

Flagstar's appraisal policy adheres to the requirements set out by the Appraiser Independence Requirements (AIR) developed by Fannie Mae and Freddie Mac.

6.1.1 Appraisal Quality Control

Samples of the appraisals or valuations that are used by the lender are randomly selected for Quality Control (QC) inspection performed through field review. These field reviews will be completed by an appropriately licensed appraiser who is not affiliated with the original appraiser or firm in any way, and will be completed using FNMA Form 2000 or Form 2000A (for one-unit and two to four unit properties, respectively). Any adverse, negative, or irregular findings of such quality control testing and any findings indicating non-compliance with any provision of the AIR or any applicable law will promptly be referred to the applicable State appraiser, certifying and licensing agency, or other relevant regulatory bodies.

6.1.2 Appraisal Misconduct Reports

Any appraiser or appraisal management company violating applicable laws, or otherwise engaging in unethical conduct, is promptly reported to the applicable State appraiser, certifying and licensing agency, or other relevant regulatory bodies.

6.1.3 Statement of Policy and Procedures in Accordance with AIR

Correspondent must maintain the highest levels of quality and integrity for all aspects of real estate financing, including meeting all AIR requirements. As such, the Correspondent is required to maintain strict adherence to the AIR requirements. Correspondents must be aware of methods used for appraiser engagement, and avoid all improper influences on appraisers.

- [FAQs from Freddie Mac](#)
- [FAQs from Fannie Mae, dated November 2010](#)
- [HUD Mortgagee Letter 2009-28](#)
- [Fannie Mae Appraiser Independence Requirements](#)

6.2 Appraisal Requirements

6.2.1 Uniform Appraisal Data Set

The following requirements are specified by the Uniform Appraisal Data Set (UAD):

- The appraisal forms must:
- Meet UAD standards.
- Comply with Agency UAD requirements effective September 1, 2011.
- The following table lists appraisal forms that either require or do not require compliance.

Compliance Required	Compliance NOT Required
1004	2075
1073	1025
1075	
2055	

Program specific appraisal requirements are available in specific agency guidelines located on individual websites, and accessible through the website.

6.2.2 Portability of Appraisals

The Company accepts properly documented AIR-compliant appraisals assigned by another lender under certain programs, provided the appraisals meet Flagstar guidelines.

- Correspondent must provide the SSR in compliance with UCDP.
- FHA appraisals must be ordered in compliance with HUD guidelines, and as such, fall under the HUD requirements for portability.
- Only appraisals that contain a certification from the ordering lender, stating that the appraisal is AIR Compliant, are acceptable for purchase.
- Appraisals delivered in another lender's name must remain in that lender's name.

For additional information, refer to agency guidelines.

6.3 Condo / PUD

See the Forms tab on the [Delegated Correspondent](#) website to access the Project Eligibility Certification Form.

6.4 Appraisal

The appraisal must be completed in color and include photos of the subject property and comparable properties.

Chapter 7 - Closing Process

7.1 Closing Documents

The Correspondent must adhere to the following requirements when preparing closing docs:

- All Correspondent closing documents must meet the requirements set forth in this Guide and in specific agency guidelines available on individual agency websites, and accessible through the website.
- Government loans and Conventional loans must have per diem calculated using 360 days, unless otherwise provided by state law or usury provision(s) for the state.
- The mortgage instrument must contain the Correspondent's Mortgage Electronic Registration System (MERS) registered loan Mortgage Identification Number (MIN).
- Correspondent must use the Correspondent's loan number on all closing documents.

7.2 Mortgage Electronic Registration System (MERS)

The following requirements apply to Correspondent access to MERS:

- Pursuant to the Company's Correspondent Seller Agreement, Correspondent agrees to maintain an active account with MERS and execute all closing documents with a valid MIN.
- The Mortgage Instrument must contain the MIN, which is obtainable by registering the loan in the MERS system.
- Beneficial and Servicing rights to the loan should be transferred to Flagstar Bank within the MERS system within one day of purchase, using the Flagstar's Originator ID #1000525.

7.3 Closing Requirements

The following requirements must be followed by the Correspondent at closing:

- It is the Company's policy to allow loans to fund a maximum of seven (7) days into the month (which leaves the borrower with less than thirty (30) calendar days before the first payment is due).
- Verbal Verification of Employment must be completed by the Correspondent according to the requirements detailed in specific agency guidelines available on individual agency websites, and accessible through the website.

7.4 Document Submission

7.4.1 Credit File

Flagstar accepts imaged loan files, via the website. The Company does not require Correspondents to utilize a specific stacking order. All documents, including copies of the Note and Allonge, must be delivered in purchasable condition through the Flagstar Correspondent Purchasing System. The imaged Credit Package upload should include the following documents:

- Copy of the original Promissory Note.
- Copy of the original Security Instrument (Mortgage/Deed of Trust), and any riders as indicated on the Mortgage/Deed of Trust must be stamped **Certified True Copy of the Original Sent for Recording**, and include a signature, along with the name of the company.
- Copy of the Title Commitment or original Title Insurance Policy, if it has been issued.
- Copy of the Power of Attorney, if used to execute the Note or Mortgage/Deed of Trust.
- Copy of POA must be stamped **Certified True Copy of the Original** and include a signature, along with the name of the company.
- Copy of any guarantee executed in connection with the Note.

- Copy of the Private Mortgage Insurance Certificate, (if applicable).
- Signed 1003, AUS, Credit Report, and 3.2 File.
- Flagstar will accept e-signatures on disclosures however; e-signatures are not permitted on closing documents.
- Signed copy of the Loan Estimate.
- Signed copy of the Closing Disclosure.
- Flagstar Delegated Correspondent Lending encourages the use of a fraud tool on all transactions. An acceptable fraud tool may be required on loans with an LTV/CLTV > 70% depending on the level of review conducted. Acceptable providers are:
 - Avantus
 - Corelogic
 - CreditPlus
 - Data Verify
 - Interthinx
 - LexisNexis
 - Kroll Factual Data
 - PitchPoint/ADV-120
 - Veri-Tax

Flagstar reserves the right to conduct any additional due diligence on an as-needed basis.

7.5 File Delivery Instructions

Original collateral documents shall be provided to the address specified in this section. For Government Insured Loans, the Mortgage Insurance Certificate, Loan Note Guarantee, or the Loan Guaranty Certificate, as applicable, must be received by Flagstar within 30 days of the date Flagstar purchased the loan. The remaining collateral documents (trailing documents) must be received by Flagstar within 270 days of the date on which Flagstar purchased the loan. Furthermore, Flagstar reserves the right to:

- Charge a fee of \$100 per collateral document that has been outstanding for more than 270 days from the loan purchase date.
- Require a repurchase of a loan with any collateral documents that have been outstanding for more than 270 days from the loan purchase date.

Collateral documents are:

- The original Promissory Note.
- The original Security Instrument (Mortgage/Deed of Trust), and any riders as indicated on the Mortgage/Deed of Trust with evidence of recording thereon, or a copy of the original Mortgage/Deed of Trust, and any riders as indicated on the Mortgage/Deed of Trust with evidence of recording thereon, certified by the public recording office in those instances where the public recording office retains the original.
- The original Title Commitment or original Title Insurance Policy if it has been issued.
- The original Power of Attorney, if used to execute any documents with the closing package.
- The original of any guarantee executed in connection with the Note.
- For Government Insured Loans, the Mortgage Insurance Certificate, the Loan Note Guarantee, or the Loan Guaranty Certificate.

Original Collateral package delivered to:

Flagstar Bank, FSB
Attn: Post Closing Receiving Department
Mail Stop W-800-1
5151 Corporate Drive

Troy, MI 48098

Original collateral package must include the original note, endorsed as follows:

Flagstar Bank, FSB
 Without Recourse
 [Legal name of Lender as it appears on front of the Note]
 By (Authorized signer):
 Name:
 Title:

In the absence of a proper endorsement on the Original Note, the Correspondent may provide a properly executed Allonge.

7.5.1 Purchasable Loans

All loan files received by Flagstar must arrive in purchasable condition. The file must meet all the requirements of:

- Product and program parameters
- Federal, state and local laws and regulations
- Industry standards, and the standards of any applicable Guarantor, Insurer, or Investor
- This Guide, including any updates, and the Correspondent Agreement, and Flagstar specific documentation.
- The loan must be funded through a Flagstar approved warehouse lender, as identified in this Guide.
- Loans will be reviewed by Flagstar, and the Correspondent will be notified via the Loan Decision Notification, if any conditions are required to be met in order to satisfy Flagstar loan purchase requirements.

7.5.2 Delinquent Loans

Pay history required to validate a loan is current at the time of purchase.

7.5.3 Escrowed Loans

For loans with escrow accounts, **taxes and** insurance due within 30 days of closing should be paid at closing or by the Correspondent prior to delivery. Loans with any payments made out of an escrow account between closing and delivery to Flagstar or date of purchase by Flagstar, should include acceptable evidence. Flagstar will adjust the purchase wire for such payments made by the Correspondent.

Due Date	Party Responsible for Payment	Prior to Purchase
More than 30 days after the loan purchase date	Flagstar Bank	n/a
Within 30 days of loan purchase date	Seller or seller's agent (e.g. closing agent or interim servicer)	The seller will receive documentation stips for the loan file.

7.5.4 Amortized Loan Purchase

For loans purchased on or after the 12th calendar day of the month, the next loan payment will be amortized and netted from funding (including escrows if applicable). Any amortized payments will be due from the borrower(s) to the correspondent. Additionally for FHA loans, the correspondent will be responsible for remitting the monthly MIP on amortized payments.

Correspondents are required to have procedures to collect, process and store detailed information about all payments made to them (or their subservicer). Flagstar reserves the right to request a detailed

payment history from the correspondent on loans purchased by Flagstar where any payment was expected to be paid to the correspondent.

In the event the additional payments or disbursements occur on the loan after purchase (e.g. the payment made was for different amount than was amortized and netted at funding, additional principal curtailment(s) were made, or escrow disbursement occurred, etc.), the correspondent is responsible for notifying Flagstar Servicing at Cashiering@flagstar.com and providing details to reconcile the loan history.

7.5.5 Post-Purchase Adjustments

For up to 30 calendar days from the date of purchase, Flagstar reserves the right to issue post-purchase adjustments related to pricing, the unpaid principal balance, and escrows. Flagstar also reserves the right to impose post-purchase adjustments, at any time, for any item or items that directly impact the Mortgagee or the requirements in this guide. Post-purchase adjustments will be communicated to the Correspondent through issuance of a refund or invoice, as applicable.

The Correspondent may request a Purchase Advice Reconciliation within 30 calendar days of the loan purchase. Post-purchase adjustment questions may be directed to the appropriate Loan Resolution Specialist using the applicable "Corr" email address, reflected on the website.

7.6 Government Loans

7.6.1 FHA, VA, and USDA Loans

The following information applies to FHA and VA government loans:

- Correspondent is required to provide proof of upfront Mortgage Insurance Premium (MIP), or a Veterans Affairs Funding Fee (VAFF), or a USDA Guarantee Fee paid before closed loan is purchased by Flagstar. If mortgage insurance or government insurance is not in place on the loan on the 31st day after the date on which Flagstar purchased the loan, Flagstar has the right to force a repurchase.
- Delivery email for insuring documents should be sent to: correspondentinsuring@flagstar.com
- The MIC for FHA loans, LGC for VA loans, and the LNG for USDA loans must be provided to Flagstar by the Correspondent within 30 days after loan closing.
- Correspondent must complete a Case Transfer in FHAC (Mortgage Record Change) on all FHA closed loans, after the file is insured and purchased by Flagstar.
- Delivery email for trailing documents: finaldocuments@flagstar.com. Post closing deficiencies are closely monitored by Flagstar and notification of deficiencies will be sent to the Correspondent.

7.6.2 Insurance Requirements for Closed Loans

Correspondent must obtain insurance and/or a guaranty on FHA, VA, and USDA loans within 30 days after loan closing. Unlike government loans, conventional loans must be insured and/or guaranteed within 60 days after loan closing.

Flagstar reserves the right to issue a repurchase if proof of government loan insuring or guarantee has not been provided within 31 days of the loan purchase date.

7.7 Non-Permanent Resident Alien

Flagstar requires all borrowers that are Non-Permanent Resident Alien to provide one of the following to be eligible for purchase.

- An Employment Authorization Document (EAD).
- Or an I-94 form AND a valid passport.

Chapter 8 - Disaster Policy

When disasters occur or are impending during the lending process, in any area that could affect any current loan transaction, Flagstar requires the Correspondent to take specific steps to ensure the property was not affected by the disaster. Flagstar will publish a list of affected areas and temporarily suspend funding in those areas. Appraisal re-inspections are required once funding has resumed. Appraisal re-inspections are not required to be completed by the original appraiser.

Change of Circumstance (COC) form: Due to increased cost of inspection to the borrower, any fees associated with a re-inspection require a COC form, resulting in re-disclosure, and adherence to all appropriate wait-time requirements, on all but closed loans.

8.1 Conventional Appraisal Re-Inspection Requirements

An exterior inspection performed by an appraiser, appraiser trainee, home inspector, real estate agent or a company that specializes in property inspections is required.

- A statement that the subject property has not sustained any damage. If the inspector observes any damage, interior photos will be required.
- A statement on the neighborhood conditions as they relate to damage.
- An exterior photograph of the subject property evidencing no damage.

8.1.1 Property Condition Certification Form

For closed loans (not yet purchased by Flagstar Bank) with a note date prior to the incident date as listed in the [Disaster Update](#) document, an officer of the company that will not receive direct compensation from the transaction may perform a drive by exterior inspection of the property and complete the [Property Condition Certification](#). A [Property Condition Certification](#) may be used on conventional transactions only.

A re-inspection report will be required for any loan that has not closed as of the incident date as listed in the [Disaster Update](#) document.

8.1.2 Property Inspection Waiver (PIW)

For loans with a note date of the incident date or later, where an appraisal was not obtained due to DU offering a PIW, resubmission to DU is required to determine if the loan is still eligible for the PIW. If DU no longer offers a PIW, a full appraisal will be required. If DU offers a PIW, a re-inspection will be required. Please refer to the Conventional Appraisal Re-Inspection requirements listed above.

Fannie Mae has incorporated the FEMA-declared disaster areas for Hurricane Harvey into DU. The FEMA-declared areas will be excluded from consideration for a PIW

8.1.3 Appraisal Collateral Alternative (ACE)

For loans with a note date of the incident date or later, where an appraisal was not obtained due to LPA offering an ACE, a full appraisal will now be required.

8.2 FHA Appraisal Re-Inspection Requirements

Properties being purchased and/or refinanced within a FEMA-declared disaster area require a damage inspection report from the original FHA Roster Appraiser in good standing. If the original appraiser is not available, another FHA Roster Appraiser in good standing with geographic competence in the affected area

may be used. If a different appraiser inspects the property, the new appraiser must be provided with a complete copy of the original appraisal.

- No specific form is required.
- The inspection must be dated after the incident end date published on the [Disaster Update](#) document.
- If utilities have not been fully restored to the area, the appraiser is not required to ensure utilities are on at the time of inspection.
- Only streamline refinances of Flagstar-serviced loans are exempt from inspection requirements.
- Damages must be repaired by licensed contractors or per local jurisdictional requirements. All damages must be repaired and the property must be restored to pre-loss condition with appropriate and applicable documentation.

8.2.1 FHA Mortgages Pending Closing

- Interior and exterior inspection with photographs of interior and exterior required.
- The appraiser must identify and quantify all dwelling damages.
- If the damage exists but is below \$5,000 and property is habitable, complete the repairs or establish a repair escrow.
- If damage exists and is above \$5,000 or the property is not habitable, repairs must be completed prior to closing and no repair escrow is permitted.
- If damage exists, the appraisal validity is extended from 120 days to a maximum of one year from the effective date of the original appraisal. If loan does not close within one year of the effective date of the appraisal, a new appraisal is required.

8.2.2 FHA Mortgages that are Closed but not yet Endorsed (Insured)

- Drive-by inspection with exterior only photographs is required.
- The appraiser must identify and quantify all dwelling damages.
- If the damage exists but is below \$5,000 and property is habitable, complete the repairs or establish a repair escrow.
- If damage exists and repairs exceed \$5,000 or the property is not habitable, endorsement is not permitted until repairs are complete and satisfactory repair inspection with interior and exterior photographs is received.

8.3 USDA Appraisal Re-Inspection Requirements

All properties with pending mortgages or guarantees in Disaster Areas require an interior and **exterior** property inspection with interior and exterior photos of **damage** to determine the property's condition using Fannie Mae form 1004D.

In addition, USDA's Conditional Commitment requires the lender's attestation on the Lender Certification for SFH Guaranteed Loan that there has been no change in the borrower's financial status or the property status since USDA issued the Conditional Commitment.

8.4 VA Appraisal Re-Inspection and Natural Disaster Policy

If the loan closed prior to the disaster date (identified for each disaster), no inspection or certifications are required. Properties being purchased and/or refinanced on or after the disaster date within the published list of affected areas require all of the following:

- Interior and exterior inspection with photographs verifying the property was not damaged in the disaster or has been restored to its pre-disaster condition or better. No specific form is required. If the property is

located in a disaster declared county, a Disaster Inspection Certification is required, prior to closing, and to ensure collateral is acceptable.

- Lender Certification: This is to affirm that the property which is security for VA loan number (insert VA case number) has been inspected to ensure that it was not damaged in the recently declared disaster or has been restored to its pre-disaster condition or better. The certification must be signed by the Lender and must provide the lender's title and the date the certification was signed.
- Veteran Certification: I have inspected the property located at (insert full property address) 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. The certification must be signed and dated by the veteran. The sentence pertaining to disaster-related expenses must be omitted for refinance transactions only.
- The VA underwriter must make the following comments on the VA Loan Summary (VA Form 26-0286): "Lender and Veteran Disaster Certifications Enclosed."
- If local laws require a property inspection, a copy of the required inspection report meeting local building authority criteria must be included in the loan file. Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspection for any transaction or repairs on purchase transactions.
- If there's 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 VA appraiser must update the original value estimate and the loan amount must be reduced accordingly. Payment for the appraisal is a contractual matter between the buyer and seller.
- The lender must confirm prior to closing that the veteran's employment and income have not changed since the loan application.

Chapter 9 - Compliance

9.1 Correspondent's Compliance Responsibilities

All guidance and information contained in this document should in no way be construed as an offer of legal advice by the Company or its affiliates. The Correspondent should seek independent legal opinion(s) from qualified sources for legal determination. Flagstar provides helpful tools, policies, procedures and requirements that the Correspondent should follow when seeking the purchase of a closed loan. Correspondent must comply with all federal, state, local and municipal laws, ordinances, rules and regulations including without limitation, usury, truth-in-lending, real estate settlement procedures, consumer credit protection, equal credit opportunity, fair housing, and lending disclosure laws.

Seller must originate each mortgage loan in compliance with the applicable agency underwriting guidelines and in compliance with all applicable governing statutes and regulations as amended and in effect at the time the loan was made, including, but not limited to, the following:

- Equal Credit Opportunity Act (ECOA and Regulation B)
- Fair Housing Act
- Unfair, Deceptive, or Abusive Acts or Practices (UDAAP)
- Consumer Credit Protection Act
- Fair Credit Reporting Act (FCRA)
- Truth-in-Lending Act (TILA and Regulation Z)
- Mortgage Disclosure Improvement Act (MDIA)
- USA PATRIOT Act
- Real Estate Settlement Procedures Act (RESPA and Regulation X)
- Home Mortgage Disclosure Act (HMDA and Regulation C)

- Home Ownership and Equity Protection Act (HOEPA)
- Secure and Fair Enforcement for Mortgage Lending Act (SAFE Act)
- Appraisal Independence Requirements (AIR)
- Regulations issued by the Financial Crimes Enforcement Network (OFAC)
- Anti-Money Laundering Requirements (AML)
- Dodd-Frank Act (DFA)
- Ability to Repay/Qualified Mortgage Requirements (ATR/QM)

Correspondent should not consider this information as legal or compliance advice. We understand that lenders have varying processes and what works for one may not be appropriate for another. As always we encourage Correspondents to seek independent legal opinion(s) and compliance advice from qualified sources.

9.2 Disclosure Requirements

The following outlines Flagstar's disclosure requirements:

- Correspondent is required to comply with all Federal disclosures, as well as any state, local ordinances, or municipal-specific disclosures and requirements and loan program-specific disclosures.
- Correspondent must submit the file in compliance with all applicable governing statutes, regulations, and guidelines, including but not limited to Equal Credit Opportunity Act (ECOA), Regulation B, Consumer Credit Protection Act, Fair Credit Reporting Act (FCRA), Fair and Accurate Credit Transactions Act of 2003 (FACTA), Customer Identification Program (CIP) and the USA PATRIOT Act, TILA, Regulation Z, RESPA, Regulation X, HOEPA, MDIA/HERA and Net Tangible Benefit to Borrower determinations as required.

9.3 Anti-Predatory and High Cost Loan Policies

Flagstar will not purchase mortgage loans that exceed any federal, state, or local high cost laws or regulations or loans that violate any anti-predatory loan requirements under federal, state, or local laws or regulations.

- Correspondent is required to verify that the loan does not exceed any state predatory lending law thresholds and/or is not considered a high cost loan.
- Correspondent warrants that Correspondent has not engaged in any form of predatory lending in connection with any mortgage loan being sold to Flagstar. Predatory lending is defined as any unfair, deceptive and/or abusive acts or practices that are not in the best interest of the borrower. It includes situations in which the Correspondent has not underwritten the loan properly to determine whether the borrower has an ability to repay the mortgage loan or where there are frequent refinancing transactions on a property and the borrower's equity is stripped out.
- Correspondent warrants that it engages in responsible lending that provides a tangible benefit to the borrower and the mortgage loan submitted for purchase contains the evidence and verification of the borrower's ability to repay the loan.
- Correspondent further warrants that it will use best efforts to ensure that each loan offered to a borrower is consistent with the borrower's situation and needs.

9.4 Higher Priced Mortgage Loans

Flagstar allows the purchase of Higher Priced Mortgage Loans (HPMLs), however, strict rules must be followed when originating or purchasing an HPML loan.

9.4.1 Requirements

Correspondent Lenders must ensure the loan complies with all state and federal laws, including Regulation Z and Home Mortgage Disclosure Act (HMDA) amendments, as well as underwriting and

consumer protection requirements. This includes, but is not limited to, items such as:

- Validation of repayment ability
- Verification of income and assets
- Submission of the rate spread (difference) as required by Regulation Z, HMDA, and any other local or state statutes, and
- Escrow accounts for taxes and insurance premiums are required on any transaction with an application date on or after April 1, 2013, secured by a principal residence deemed to be an HPML. This includes adding state specific escrow disclosures where required. The escrow requirement is a minimum of 60 months.
- VA IRRRL Loans being refinanced must have been originated at least 6 months prior to the new loan's closing and have made at least 6 non-accelerated payments to meet VA's seasoning requirement. If the payment requirement has not been met and the payment is increasing, the loan must include fully documented income and assets. In order for a loan to be considered QM/Safe Harbor the following must be met:
 - The loan being refinanced was originated at least 6 months before the new loan's closing date,
 - The recoupment period for allowable fees and charges financed, as part of the loan or paid at closing, does not exceed 36 months, and
 - The loan meets all other requirements of a VA-guaranteed IRRRL. Rebuttable Presumption is not permitted.

For condominium loans, if the Homeowners' Association (HOA) maintains a master policy insuring the unit (meeting Flagstar's Credit Policy requirements), only the tax portion is required to be escrowed. Flagstar will follow FHA guidance on HPML/Safe Harbor/QM. For additional information, refer to Agency guidelines available on the individual agency websites, or accessible through the website.

9.4.2 Ineligible Loans

Due to the requirements set forth under Regulation Z and HMDA amendments for HPMLs, as well as certain Agency requirements, the following are not permitted on any HPML:

- Loans with a prepayment penalty (Flagstar does not purchase loans with prepayment penalties, regardless of HPML status).
- Any loan that is subject to any interest or payment adjustment or reset during the first 7 years (7/1 ARMs are eligible).

9.4.3 Required Correspondent File Documentation

When a loan has been identified as an HPML, the Correspondent Lender must ensure that the following information is documented in the file:

- An escrow account for taxes and insurance is established and will remain on the loan for at least 5 years;
- The qualifying rate for an ARM loan, with initial adjustment period after the first 7 years of the mortgage, is qualified at the higher of the fully indexed rate or the Note rate;
- If the loan is an ARM, the ARM index must have been effective within 45 days of closing to be eligible (as stated on the Correspondent HPML Certification Form);
- ARM loans that have less than a 7-year ARM adjustment period (i.e., 3/1 or 5/1 HPML loans) are not allowed;
- A full appraisal has been completed on the subject property (no Waivers or AVM's allowed); and
 - Borrowers' ability to repay has been established and income and assets are fully documented,

regardless of the loan program. Flagstar will assess the borrower's repayment ability based on known facts and circumstances on the date of consummation. Flagstar will not extend credit without regard to the borrower's ability to repay. This includes rebuttable presumption for VA IRRRLs and loans that do not have a history of at least 6 months of payments. For FHA Streamline and VA IRRRL rebuttable presumptions, refer to the Flagstar Government Delegated Overlay Matrix located on the website.

9.4.4 Average Prime Offer Rate

The Average Prime Offer Rate (APOR) information can be found on the Federal Financial Institutions Examination Council (FFIEC) website <http://www.ffiec.gov/ratespread/aportables.htm>, as applicable:

- Fixed Rate Loans – <http://www.ffiec.gov/ratespread/YieldTableFixed.CSV>
- ARM Loans – <http://www.ffiec.gov/ratespread/YieldTableAdjustable.CSV>

The HPML status is determined on the date that the interest rate is locked. The APOR rate is published every Monday by the FFIEC.

9.5 Ability to Repay (ATR) and Qualified Mortgages (QM)

Effective with applications dated January 10, 2014 and later, Flagstar will only purchase loans in which the borrower's ability to repay has been established as laid out in TILA and that the loan is a qualified mortgage or is one of the exemptions to the qualified mortgage rule.

- Loans submitted for purchase to Flagstar will not have risky loan features such as exceeding a 30 year amortization, no balloon feature, and no interest only feature.
- The Correspondent warrants that the loans submitted to Flagstar for purchase do not exceed the QM points and fees test for the actual loan amount.
- Correspondent warrants that the loans submitted for purchase by Flagstar meet all ATR/QM requirements as established under the Truth in Lending Act, Regulation Z, and its Official Staff Commentary.
- QM Points and Fees: Although the regulation excludes non-owner occupied residence-secured loans, these transactions must adhere to the QM/ATR rules or the loan is not eligible.

9.6 Fair Lending

Correspondent understands and acknowledges that Flagstar is fully committed to the principles of Fair Lending and requires each of its business partners, including Correspondent, to follow similar principles. Correspondent must adhere to all federal Fair Lending laws, including the Fair Housing Act and ECOA, as well as any applicable state Fair Lending laws. Correspondent must treat all applicants and borrowers in a fair and consistent manner and without regard to race, color, religion, national origin, age (provided the applicant or borrower has legal capacity to enter into a binding contract), sex, marital status, disability, familial status, receipt of public assistance, or exercise of rights under the Consumer Credit Protection Act, or any other prohibited basis identified under state law. Correspondent is responsible for implementing policies and procedures to ensure compliance with Fair Lending laws and ensuring that its owners, officers, partners, agents and employees are all adequately trained in Fair Lending policies and procedures and kept abreast of any changes or updates to Fair Lending laws.

9.7 Anti-Money Laundering (AML)

Flagstar Lending requires that approved Correspondents comply with all requirements of the Bank Secrecy Act (BSA), Anti-Money Laundering regulations, and Suspicious Activity Reporting requirements. Correspondent must ensure the accurate, verified, and appropriate identification of its borrowers in accordance with requirements of the BSA. Any suspicious activity identified on loans submitted to Flagstar must be reported to Flagstar. All reporting is confidential, as Flagstar does not retaliate against any person for reporting suspicious activity, fraud, money-laundering, and suspected or actual criminal activity. Flagstar will review any suspicious activity and determine if filing a Suspicious Activity Report (SAR) and/or other actions are warranted.

9.8 Privacy

9.8.1 Confidential Information

Each party hereto (as Recipient) may have access to and each party hereto (as Owner) may provide to the other party, information that Owner regards as confidential or proprietary. Confidential Information includes, but is not limited to, the following information, whether now in existence or hereafter created: (a) any and all information of or about either party's customers of any nature whatsoever, and specifically including without limitation, the fact that someone is a customer or prospective customer of either party, all lists of customers, former customers, applicants and prospective customers and all personal or financial information relating to and identified with such persons (Customer Information); (b) all business, financial, technical, and pricing information of Owner and any of Owner's vendors; (c) Owner's marketing philosophy and objectives, promotions, markets, materials, financial results, technological developments and other similar proprietary information and materials; (d) all information marked as confidential or similarly marked, or information that Recipient should, in the exercise of reasonable business judgment, recognize as prepared by Owner, Recipient or others, which contain or otherwise reflect Confidential Information; (e) all Proprietary Product of Flagstar, and; (f) all Proprietary Software of Flagstar. Without limitation the terms of the Contract Documents shall be Confidential Information of Flagstar.

9.8.2 Exceptions

Except for Customer Information, the term Confidential Information excludes any portion of such information that Recipient can establish to have been: (a) publicly known without breach of this Agreement; (b) known by Recipient without any obligation of confidentiality, prior to disclosure of such Confidential Information; (c) received in good faith from a third-party source that to Recipient's reasonable knowledge rightfully disclosed such information; or (d) developed independently by Recipient without reference to Owner's Confidential Information. If Recipient is required by a court or governmental agency having proper jurisdiction to disclose any Confidential Information, Recipient must promptly provide to Owner notice of such request to enable Owner to seek an appropriate protective order.

9.8.3 Security and Use

Each party must establish and maintain data security policies and procedures designed to ensure the following: (a) security and confidentiality of Customer Information; (b) protection against anticipated threats or hazards to the security or integrity of Customer Information; and (c) protection against the unauthorized access or use of Customer Information. Confidential Information must be held in confidence and disclosed only to those employees or agents whose duties reasonably require access to such information. Recipient may use the Confidential Information only as necessary for Recipient's performance hereunder. Recipient must protect Owner's Confidential Information using at least the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized use, disclosure or duplication (except as required for backup systems) of such Confidential Information as Recipient uses to protect its own Confidential Information of a similar nature. Recipient's limited right to use the Confidential Information expires upon expiration or termination of the Contract Documents for any reason. Recipient's obligations of confidentiality and non-disclosure survive termination or expiration for any reason of the Contract Documents.

9.8.4 Return or Destruction

Recipient is required to develop appropriate security measures for the proper disposal and destruction of Confidential Information. Upon expiration of Recipient's limited right to use the Confidential Information, Recipient must return all physical embodiments thereof to Owner or, with Owner's

permission, Recipient may destroy the Confidential Information (except for any backups thereof).

9.8.5 Disclosure

If disclosure of Confidential Information to third parties is required or allowed under this Privacy Section of the Guide, Recipient must ensure that such third parties have express obligations of confidentiality and non-disclosure substantially similar to Recipient's obligations hereunder. Liability for damages because of disclosure of Confidential Information by any such third parties must be borne by Recipient. If Recipient or any of its representatives or agents breaches the covenants set forth in this Privacy Section of the Guide as to Confidential Information, irreparable injury may result to Owner or third parties entrusting Confidential Information to Owner. Therefore, Owner's remedies at law may be inadequate and Owner shall be entitled to seek an injunction to restrain any continuing breach. Notwithstanding any limitation on Recipient's liability, Owner shall further be entitled to any other rights and remedies that it may have at law or in equity.

9.8.6 Security Breach

If there is any actual or suspected theft of, accidental disclosure of, loss of, or inability to account for any Confidential Information by Recipient and/or any unauthorized intrusions into Recipient's facilities or secure systems (collectively Security Breach), Recipient must immediately (a) notify Owner, (b) estimate the Security Breach's effect on Owner, (c) specify the corrective action to be taken, and (d) investigate and determine if a Security Breach has occurred. If, based upon Recipient's investigation, Recipient determines that there has been an actual Security Breach, Recipient must promptly notify Owner and must promptly investigate the scope of the Security Breach, and must promptly take corrective action to prevent further Security Breach. Recipient must, as soon as is reasonably practicable, make a report to Owner including details of the Security Breach (including Customer(s)' identities and the nature of the information disclosed) and the corrective action Recipient has taken to prevent further Security Breach. Recipient must, in the case of a Security Breach, cooperate fully with Owner to notify Owner's Customer(s) as to the fact of and the circumstances of the Security Breach of the Customer's particular information. Additionally, Recipient must cooperate fully with all government regulatory agencies and/or law enforcement agencies having jurisdiction and authority for investigating a Security Breach and/or any known or suspected criminal activity. Except as may be strictly required by applicable law, Recipient agrees that it will not inform any third party of any such Security Breach without Owner's prior written consent; however, if such disclosure is required by applicable law, Recipient agrees to work with Owner at no additional cost to Owner regarding the content of such disclosure.

Chapter 10 - Legal Addenda

10.1 Introduction

This Chapter of the Guide includes representations, warranties, requirements and obligations of the Correspondent (Correspondent's Obligations) which are in addition to, and not in place of, the Correspondent's Obligations contained in the Correspondent Loan Purchase and Sale Agreement (the Agreement) and other Contract Documents. This Chapter of the Guide also contains definitions which apply to terms used in this Chapter of the Guide, the Agreement, and the other Contract Documents.

10.2 Commitment/Trade Confirmation

The following requirements apply to commitments and trade confirmations:

- If the Correspondent desires to sell a Loan(s) to Flagstar, the Correspondent shall register the Loan(s) with Flagstar, as described in the Contract Documents. If Flagstar wishes to purchase the registered

Loan(s), Flagstar will issue a Commitment to the Correspondent to purchase the Loan(s). Upon the issuance of a Commitment, and subject to the terms and conditions of the Contract Documents, Flagstar shall be obligated to purchase the Loan(s) from the Correspondent and the Correspondent shall be obligated to sell the Loan(s) to Flagstar.

- If the Correspondent desires to sell Loans to Flagstar as a pool or group of whole loans, servicing released (each a Loan File) on various closing dates as provided herein, each of the Loans shall, as of the related closing date, be secured by mortgage, deed of trust or other security instrument creating a first or second lien on a residential dwelling located in the jurisdiction as set forth in the related Mortgage Loan Schedule for the related Loan File and will be annexed to a Memorandum of Sale and/or Trade Confirmation as applicable between the parties on the closing date as set forth in the Contract Documents.

10.3 Underwriting

Flagstar's obligation to purchase any Loan is conditioned upon the approval of such Loan by: (a) one of Correspondent's underwriters, if Correspondent is expressly approved by Flagstar for delegated underwriting, (b) by Correspondent after having received Flagstar's approval of Correspondent's underwriting policies and procedures, or (c) an underwriter employed by Flagstar. Any such underwriter shall underwrite the Loan in accordance with the underwriting standards set forth in the Contract Documents.

10.4 General Warranties of Correspondent

Correspondent represents, warrants and covenants to Flagstar, as of (a) the time any Loan is registered with or submitted to Flagstar, (b) the time a Loan is funded and closed, (c) the Commitment Period, (d) the time the Loan is purchased and transferred to Flagstar, (e) the time servicing is transferred to Flagstar, and (f) any other time as indicated or as the context may require, that the representations and warranties below are true and correct.

- **Ownership; Prior Involvement.** Correspondent has no direct or indirect ownership interest in any property acting as security for the Loan, or affiliation or relationship with any other party having a financial interest in the Loan or the Loan transaction. To the extent Correspondent or any of its owners, officers, partners, agents or employees has (a) participated in the sale, financing or mortgage origination with respect to the property securing the Loan, or (b) assisted a Borrower with obtaining prior financing, whether with respect to the property securing the Loan or otherwise, Correspondent shall disclose the nature and extent of such relationship in writing at the time of the submission of the relevant Loan to Flagstar.
- **Delegated Correspondent Errors & Omissions, Fidelity Bond, Net Worth, and Warehouse Line.** Delegated Correspondent shall at all times maintain Errors & Omissions, Net Worth, and Warehouse Line minimum amounts in accordance with Flagstar Approval Criteria, or the amounts required by applicable law, whichever is greater. Refer to [Chapter 2 – Program Participation Requirements](#) for a list of the minimum net worth requirements.
- **Specific Representations and Warranties as to Loans.** Despite any advance review of the Loan by Flagstar, the Correspondent shall not be released from any of the following representations and warranties, and in addition to any other representations, warranties and covenants contained in the Correspondent Loan Purchase and Sale Agreement, the Correspondent hereby further represents, warrants and as applicable, covenants, as follows, with respect to each Loan sold to Flagstar by it, as of (a) the time any Loan is registered with or submitted to Flagstar, (b) the time a Loan is funded and closed, (c) the Commitment Period, (d) the time the Loan is purchased and transferred to Flagstar, (e) the time servicing is transferred to Flagstar, and (f) any other time as indicated or as the context may require, that the representations and warranties below are true and correct.
- **Requirements; Unacceptable Investment.** Each Loan, including the Application Package, conforms to the

specifications, terms, conditions and requirements set forth in this Guide and the Agreement, including, but not limited to, Flagstar Eligibility Criteria. There are no circumstances or conditions with respect to the Mortgage, the Mortgaged Property, the Borrower, the Mortgagor or the Borrower's or Mortgagor's credit standing that could be reasonably expected to cause: (a) Flagstar not to purchase the Loan; (b) private institutional investors or an Investor to regard the Loan as an unacceptable investment; or (c) the Loan to become delinquent or adversely affect the value or marketability of the Loan and Correspondent agrees not to submit any such Loan to Flagstar. Correspondent shall promptly disclose to Flagstar any material information that reasonably could be expected to be a consideration in Flagstar's decision to close or purchase a Loan including, without limitation, discrepancies between information provided by the loan applicant and that obtained from other sources, factors bearing on the physical condition of the security property and any irregularities involving the purchase transaction covering the security property or the relationship or involvement of any brokers or escrow depositories in connection therewith.

- **Enforceability of Loan.** The Loan is not subject to any right of rescission, set-off, counterclaim or defense, nor will the operation of any of the terms of the Mortgage Note or the Mortgage, or the exercise of any right thereunder, render either the Mortgage Note or the Mortgage unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, as a result of any act, error or omission of Correspondent or of any other Person.
- **Payments and Advances.** The Correspondent has not, and no person has, advanced any funds for and on behalf of a mortgagor for the purpose of enabling the mortgagor to make any required payments of principal or interest on the Loan, or any tax, insurance, special assessment, sewer, utility or similar payments with respect to the property securing the Loan, and no subordinate financing was used in the mortgagor's acquisition of the property securing the Loan other than subordinate financing acceptable to Flagstar, FNMA, FHLMC, GNMA, HUD, VA or applicable Investor pursuant to their requirements in effect at the time of purchase of the Loan by Flagstar. The Borrower or Mortgagor has made any down payment required in connection with the Loan, and has received no concession from Correspondent or any other third Person, except as clearly disclosed in writing to Flagstar.
- **Regulatory Compliance.** Correspondent has complied with, and each Loan shall comply with, all Applicable Requirements. Each Loan shall comply with FHA, VA, FNMA, or Freddie Mac requirements as applicable. Each Loan shall comply with applicable law in all respects, including, but not limited to, RESPA, the Flood Disaster Protection Act, the Federal Consumer Credit Protection Act, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Federal Fair Housing Act, the Home Ownership and Equity Protection Act, Gramm-Leach-Bliley Act, the Housing and Economic Recovery Act, Dodd-Frank/Wall Street Reform and Consumer Protection Act and applicable law governing fraud, lack of consideration, unconscionability, consumer credit transactions, consumer protection and consumer privacy, interest or other charges, licensing of mortgage brokers, lenders, servicers and Mortgage Loan Originators (MLOs), and mortgage insurance.
- **Approvals.** Correspondent and each loan originator employed by or affiliated with Correspondent, has obtained and shall maintain in full force and effect, without material impairment, suspension or revocation, all federal and state governmental approvals, registrations, qualifications, permits and licenses necessary both to perform its obligations hereunder and, if applicable, to conduct the origination business with FHA. Correspondent has complied with all of the requirements of the applicable insuring or guaranteeing agency for FHA or VA loans.
- **High Cost Loans.** None of the Loans submitted by Correspondent qualify as high cost loans, Section 32 loans or are in any other way considered predatory loans under applicable law.
- **No Predatory Lending.** No predatory or deceptive lending practices, including but not limited to the extension of credit without regard for the Mortgagor's ability to repay the Loan, and/or the extension of

credit which has no apparent benefit to the Mortgagor, were employed in connection with the Loan application. Each Loan application is in compliance with the anti-predatory lending eligibility requirements of the Guide and all applicable Agency's or investor's rules and regulations.

- **Other Insurance Policies.** No action, inaction or event has occurred and no state of facts exists or has existed that has resulted or will result in the exclusion from, denial of, or defense to coverage under any applicable special hazard insurance policy, PMI Policy or bankruptcy bond, irrespective of the cause of such failure of coverage. In connection with the placement of any such insurance, no commission, fee, or other compensation has been or will be received by Correspondent or by any officer, director, or employee of Correspondent or any designee of Correspondent or any corporation in which Correspondent or any officer, director, or employee had a financial interest at the time of placement of such insurance.
- **Damage; Condemnation.** The property securing the Loan is free of damage, waste and environmental hazards; the property and its improvements are not in violation of any applicable zoning law or regulation, and there is no proceeding pending for the total or partial condemnation thereof.
- **Closing.** All Loans approved to be purchased by Flagstar will be on forms mutually acceptable to the Parties and closed, if applicable, in accordance with the terms and conditions set forth herein by closing agents that maintain errors and omissions insurance policies reasonably acceptable to Correspondent and sufficient to indemnify Correspondent against losses due to the closing agent's negligence, misconduct and/or failure to follow written closing instructions. Each Closing Agent has fully disbursed all proceeds in accordance with the related HUD-1 form and any closing instructions.
- **Funding.** Correspondent has fully funded the Loan with the Correspondent's own funds.
- **Disbursement.** The proceeds of the Loan have been fully disbursed, there is no requirement for future advances thereunder, any and all requirements as to completion of any on-site or off-site improvements have been complied with, any disbursements of any escrow funds have been made, all costs, fees and expenses incurred in making or closing the Loan and recording the mortgage or deed of trust have been paid, the mortgage insurance premium or the VA Guaranty fee has been paid as applicable, and the mortgagor is not entitled to any refund of any amounts paid or due under the Mortgage Note or the mortgage or deed of trust.
- **Application Package and Genuineness of Documents.** The Application Package contains each of the documents and instruments required by Applicable Requirements, Flagstar Eligibility Criteria or Investor or Insurer requirements, duly executed and in due and proper form and each such document or instrument is genuine and in form acceptable to Investors and Insurers and the information contained therein is true, accurate and complete. The Loan was originated in accordance with Investor and Insurer underwriting standards in effect at the time the Loan was originated.
- **No Fraud; No Omissions.** No fraud was committed in connection with the origination of the Loan. No action, error, omission, misrepresentation, negligence, fraud or similar occurrence with respect to the Loan has taken place on the part of any person, including, without limitation, the mortgagor, any appraiser, any builder or developer or property Correspondent, or insurer or any party involved in the origination of the Loan, or in the application for any insurance relating to such Loan that might result in a denial, failure or impairment of full and timely coverage under any insurance policies required to be obtained or any pool insurance policy covering the Loan. The documents, instruments and agreements contained in the Application Package, Loan File, or in any way relating to the Loan, or any other documents submitted to Flagstar are in every respect valid and genuine, comply with industry standards, were not falsified and contain no untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the information and statements therein not misleading. Correspondent and Flagstar agree that Flagstar may conclusively rely on all information, documents, and reports contained in the Loan File supplied to it and submitted by Correspondent and the authenticity and accuracy contained therein.

Flagstar's failure to conduct an independent investigation with respect to the Loan File shall not affect or modify the representations, warranties or covenants made by Correspondent and other duties of Correspondent or the rights and remedies available to Flagstar for a breach thereof. Correspondent is solely responsible for the authenticity and accuracy of all information, documents, and reports contained in the Loan File, even if Flagstar reviews the Loan prior to purchase.

- Documentation. All documents submitted by the Correspondent in connection with a Loan are in accordance with standard industry practices and in every respect valid and genuine and no fraud, error, omission, negligence or misrepresentation has occurred in connection with the origination, closing, funding or transfer of any Loan. All information shall mean any and all documentation (credit and otherwise) obtained from the applicant and any other sources submitted in connection with a loan application. Correspondent and Flagstar agree that Flagstar may conclusively rely on all information, documents, and reports supplied to it and submitted by Correspondent and the authenticity and accuracy contained therein. Flagstar's failure to conduct an independent investigation with respect to the Loan File shall not affect or modify the representations, warranties or covenants made by Correspondent and other duties of Correspondent or the rights and remedies available to Flagstar for a breach thereof. Correspondent is solely responsible for the authenticity and accuracy of all information, documents, and reports contained in the Loan, despite underwriting of the Loan by Flagstar.
- Appraisal. All real estate appraisals provided in connection with any Loan shall be true and correct appraisals of the property in question, and shall comply with the requirements set out in the Guide and with all requirements of applicable laws and regulations. Correspondent has established procedures with respect to real estate appraisers and appraisals in accordance with the requirements described in the Guide, and Title IX of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and implementing regulations. The appraiser for the Loan was duly licensed or certified under the applicable law where the Loan was originated and for each Government Loan was acceptable to the FHA or VA, as applicable, and for each Conventional Loan was acceptable to FNMA, FHLMC and/or the Investor, as applicable. The Correspondent will maintain documentation evidencing each appraiser's qualification and licensing or certification, which will promptly be provided to Flagstar upon request. The Loan File shall contain documentation that reflects the date and method of delivery for each appraisal sent to an applicant/borrower.
- Attorney-in-Fact. Correspondent hereby irrevocably appoints Flagstar as its true and lawful attorney, with full power of substitution, in its name and stead and on its behalf, for the purpose of taking any action with respect to, or effectuating any further sale, Assignment, transfer or delivery of, any Loan, Mortgage Instrument, Mortgage Note, or Mortgaged Property or any part thereof or any interest therein, and for the purpose of correcting any errors or omissions in any Loan Documents. Correspondent is hereby ratifying and confirming all that such attorney or any substitute shall lawfully do by virtue hereof. If so requested by Flagstar, or any successor or assign of Flagstar, Correspondent shall ratify and confirm any such action, sale, Assignment, transfer or delivery by executing and delivering all such instruments and other documents as may be designated in any such request.
- Compliance with Requests for Missing or Additional Documentation. Correspondent shall comply with any request by Flagstar for missing, corrected or additional documentation related to a Loan. Correspondent shall promptly comply with any such request, regardless of whether the request was made prior to or after the sale of the related Loan, but, unless otherwise agreed by Flagstar, Correspondent shall comply with any such request within seven (7) calendar days after receipt of a request from Flagstar. Correspondent shall be responsible for any penalty or re-pricing as a result of Correspondent's failure to comply with any such request within the time frame set forth above, regardless of whether the failure is directly attributable to Correspondent.

- Acknowledgement of Disclosures. The Mortgagor has duly executed and delivered appropriate evidence indicating that the Mortgagor has received any and all disclosure materials as required by applicable law and regulations.
- Mortgage Loan Originators (MLOs). Notwithstanding anything to the contrary contained in the Contract Documents, Correspondent shall be liable for the acts and omissions of its officers, employees and agents, including, without limitation, its MLO.
- No Adverse Selection. Correspondent will not use any means to adversely select Loans for sale from the rest of Correspondent's portfolio which is not the subject of the sale, including without limitation, identifying Loans subject to additional levels of risk to Flagstar which risks are known to Correspondent, but not disclosed to Flagstar.
- MERS. The Loan was registered on the MERS System at origination or has been designated or Correspondent will designate MERS as the record mortgagee, as nominee for Flagstar, in accordance with the Contract Documents. Correspondent further represents that it has (i) complied with the Electronic Tracking Agreement, the MERS Procedures Manual and any and all rules or regulations of MERS; and (ii) informed and confirmed with MERS or Electronic Agent, as applicable, that each Loan has been electronically assigned on the MERS System to Flagstar or its designee only and not to an Investor.
- Eligible Loans. Each Loan is of acceptable quality and is eligible for sale to the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, or non-conforming (Jumbo) Investor whose Loan eligibility specifications are outlined herein and whose decision regarding acceptable quality and eligibility is determinative.
- Government Loans. Each Government Loan conforms with all applicable FHA or VA underwriting, lending, selling and servicing requirements and with all GNMA requirements for the inclusion of the Loan in a GNMA MBS pool, and the Correspondent will comply with all documentation requirements of Flagstar and the document custodian within the time limitations described in the Contract Documents. If a Commitment is for an FHA-insured Loan, the Loan is fully eligible for FHA insurance and is, or within 60 days after disbursement of the proceeds by the Correspondent will be, fully insured by the FHA. If a Commitment requires the Loan to be guaranteed by VA, the Loan is fully-eligible for VA guaranty, and is, or within 60 days after disbursement of the proceeds by the Correspondent will be, fully guaranteed by VA.
- Conventional Loans. Each Conventional Loan conforms with all applicable requirements of Flagstar, Agencies or applicable Investor, including, but not limited to, all requirements for the inclusion of such Conventional Loans in any pool of loans or private security as designated by Flagstar, FHLMC Guarantor Program and the FNMA Mortgage-Backed Security Loan Program, and each Conventional Loan conforms with all pooling requirements of the Agency or Investor. The Correspondent will comply with all documentation requirements of Flagstar and the document custodian within the time limitations described in the Contract Documents. If the Contract Documents require the Loan to be insured by a policy of private mortgage insurance, the Loan is fully eligible and qualified to be insured by such policy of private mortgage insurance, such policy is in full force and effect, and no event or condition exists which could give rise to or result in a revocation of or defense to the policy.
- Good Title. Immediately prior to the transfer and assignment of the Loan to Flagstar, Correspondent was the sole owner of each Loan, with good and marketable title to the Loan, and had full right, title and authority, subject to no interest or participation of, or agreement with, any other party (other than a warehouse lender whose identity has been made known to Flagstar), to sell, transfer and assign the Loan(s) to Flagstar, and there has been no other sale, transfer, or assignment of security interest granted by the Correspondent to any other party, nor are there any other restrictions limiting the transfer of the Loan.

- Customary Provisions. The payment due date of the Loan is the first day of the month, interest on the Loan is computed in arrears with payments (which may be reset periodically in accordance with the Loan documentation) sufficient to fully amortize the Loan (if applicable to the Loan) by the stated maturity date over an original term as set forth in the Loan documentation from commencement of amortization, the late charge on the Loan is the lesser of five (5) percent for conventional loans (or four (4) percent for FHA loans) of the monthly payment or the amount permitted under state law, and the borrower is required to make monthly escrow payments (as applicable) for real estate taxes and insurance premiums unless restricted by law in the state where the Loan was originated. Principal and/or interest payments on the Mortgage Loan commenced no more than 60 days after funds were disbursed in connection with the Mortgage Loan. With respect to adjustable rate Mortgage Loans, the Mortgage Interest Rate is adjusted in accordance with agency guidelines available on individual agency websites, and accessible through the website. The Due Date of the first payment under the Mortgage Note is no more than 60 days from the date of the Mortgage Note. The Mortgage Note does not permit Negative Amortization.
- No Default. As of the date of delivery of the Loan File, the Loan is current and all payments have been made within the month such payments were due. There is no default, breach, violation or event of acceleration existing under the mortgage or deed of trust or the Mortgage Note and no event which, with the passage of time or with any notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration under the mortgage or deed of trust or the Mortgage Note.
- Balance as Stated. The original unpaid principal balance outstanding under the Loan is as stated in the applicable Loan Documents.
- No Mechanic's or Tax Lien. There is no delinquent tax or assessment lien against the property securing the Loan, and the Correspondent has paid all property tax bills which are or will become due within 30 days of the Purchase Date of the Loan by Flagstar. As of the Purchase Date of the Loan and as of the date the Loan is transferred to Flagstar, there are no mechanics' liens or claims that affect the lien priority of the mortgage or deed of trust relating to the Loan. In addition to any other remedies provided herein, Correspondent shall reimburse Flagstar for any tax penalties incurred as a result of a breach of this provision.
- Collection Practices; Escrow Deposits; Interest Rate Adjustments. The origination and collection practices used by the originator, each servicer of the Loan and Correspondent with respect to the Loan have been in all respects in compliance with Accepted Servicing Practices, the Contract Documents, applicable laws and regulations, and have been in all respects legal and proper. With respect to escrow deposits and Escrow Payments, (other than with respect to each Second Lien Mortgage Loan and for which the mortgagee under the first lien is collecting Escrow Payments) all such payments are in the possession of, or under the control of, Correspondent and there exist no deficiencies in connection therewith for which customary arrangements for repayment thereof have not been made. All Escrow Payments have been collected in full compliance with state and federal law. An escrow of funds is not prohibited by applicable law and has been established in an amount sufficient to pay for every item that remains unpaid and has been assessed but is not yet due and payable. No escrow deposits or Escrow Payments or other charges or payments due Correspondent have been capitalized under the Mortgage or the Mortgage Note. All Mortgage Interest Rate adjustments have been made in strict compliance with state and federal law and the terms of the related Mortgage Note. Any interest required to be paid pursuant to state, federal and local law has been properly paid and credited.
- No Litigation. There is no pending and no threatened litigation, which may affect in any way, by attachment or otherwise, the title or interest of the Correspondent in and to the Loan, the property securing the Loan, or any related Note or security instrument.

- **Valid Note.** The original Mortgage Note and the mortgage/deed of trust are genuine and each is the sole legal, valid and binding obligation of the maker thereof, enforceable in accordance with their respective terms. All parties to the Note and the mortgage or deed of trust had the legal capacity to execute and deliver the Note and the mortgage or deed of trust, and the Note and the mortgage or deed of trust have been duly and properly executed by such parties. The Note is not and has not been secured by any collateral except the mortgage or deed of trust.
- **No Waiver.** The terms of each Note and mortgage or deed of trust have not been impaired, waived, altered or modified in any respect, except by a written instrument which has been recorded, if necessary, to protect the interest of Flagstar. The substance of any such waiver, alteration or modification has been approved by the issuer of any related private mortgage insurance policy and the title insurer, to the extent required by the title insurance policy. No mortgagor has been released in whole or in part, except in connection with an assumption agreement approved by the issuer of any related private mortgage insurance policy and the title insurer to the extent required by the policy.
- **Delivery.** Correspondent shall be obligated to deliver all Loans locked under Best Efforts commitments to Flagstar if: (i) Correspondent actually closes the Loan or causes the Loan to be closed with a third Person; and (ii) Flagstar has not rejected such Loan for purchase.
- **Due on Sale.** The mortgage or deed of trust contains a provision for the acceleration of the payment of the unpaid principal balance of the Note in the event that the property securing the Loan is sold or transferred without the prior written consent of the mortgagee thereunder, unless otherwise permitted in accordance with the terms of the Contract Documents.
- **No Satisfaction.** The mortgage or deed of trust has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the property securing the Loan has not been released from the lien of the mortgage or deed of trust, in whole or in part, nor has any instrument been executed that would affect any such release, cancellation, subordination or rescission, except as permitted by Flagstar, FNMA, FHLMC, GNMA, VA, FHA or Investor applicable guidelines and except which does not materially and adversely affect the value of the property securing the Loan.
- **Original Terms Unmodified.** The terms of the Loan have in no way been changed, amended or modified from the terms that Flagstar has approved and there shall be only one fully executed original document of each Loan File unless otherwise specifically disclosed to Flagstar.
- **Deed of Trust.** In the event the Loan is secured by 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 therein, and no fees or expenses are or will become payable by Flagstar to the trustee under the deed of trust, except in connection with a trustee's sale after default by the mortgagor.
- **Valid Lien and Title Insurance.** Each mortgage or deed of trust is a valid and enforceable first lien on the property securing the Loan and is insured by (i) an American Land Title Association (ALTA) lenders' loan title insurance policy issued by an underwriter acceptable to Flagstar, or
(ii) the type of policy uniformly acceptable where ALTA policies are not available, which policy is subject only to the lien of current real estate taxes and assessments, and covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording of such mortgage or deed of trust, such exceptions appearing of record and being acceptable to mortgage lending institutions generally or specifically reflected in the survey of the property securing the Loan. The title insurance policy relating to the Loan is in full force and effect and will be in force and effect upon the consummation of the transactions contemplated by this agreement. No claims have been made under such title insurance policy.
- **Type of Mortgaged Property.** The property securing the Loan consists of a single parcel of real property

with a single family residence erected thereon, or a two-to-four family dwelling, an individual condominium unit, a co-operative housing unit, or an individual unit in a planned unit development. Such property meets the criteria for eligible property described in the Contract Documents. No portion of the property securing the Loan is used for commercial purposes.

- Taxes, Utilities and Assessments. All taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents which previously became due and owing have been paid, or an escrow of funds has been established in an amount sufficient to pay for every such item which remains unpaid and which has been assessed but is not yet due and payable. In addition to any other remedies provided herein, Correspondent shall reimburse Flagstar for any tax penalties incurred as a result of a breach of this provision.
- Hazard Insurance. The property securing the Loan is insured by a valid paid-up hazard insurance policy meeting the standards as described in the Contract Documents, is issued by an insurer acceptable to Flagstar, and names the Correspondent, Flagstar or the assignee, in the mortgagee clause. The mortgage or deed of trust obligates the mortgagor thereunder to maintain the hazard insurance policy at the mortgagor's cost and expense, and on the mortgagor's failure to do so authorize the holder of the mortgage to obtain and maintain such insurance at such mortgagor's cost and expense, and to seek reimbursement from the mortgagor. The Correspondent has not engaged in, and has no knowledge of the mortgagor's having engaged in, any act or omission which would impair the coverage of any such policy, the benefits of the endorsement provided for herein, or the validity and binding effect of the policy. If the property is located in a flood hazard area, the property is insured by a flood insurance policy acceptable to Flagstar, and all federal, state and local requirements with respect to both hazard and flood insurance have been complied with in all material respects.
- Location of Improvements. Except as set forth in the Contract Documents, all improvements that were included in the determination of the appraised value of the property securing the Loan lie wholly within the boundaries and building restriction lines of the property, and no improvements on adjoining properties encroach upon the property securing the Loans.
- Interest. Interest on each Loan is calculated in accordance with related Loan Documents and the Applicable Requirements, including, but not limited to, the applicable FHA Regulations. None of the Loans are simple interest Mortgage.
- Communications Received by Correspondent. Within five (5) days of receipt by Correspondent, Correspondent shall forward to Flagstar all communications, inquiries and remittances which Correspondent may receive with reference to the Loan. Correspondent shall promptly provide such other information as Flagstar may reasonably request.
- No Risk Sharing Agreements. Notwithstanding any provision in this Guide, the Agreement or other Contract Documents to the contrary, Loans sold to Flagstar may not be subject to any risk sharing agreement between the originator and any mortgage insurance company, and the Correspondent shall cause any Loan subject to such arrangement to be released from said arrangement prior to the related sale of the Loan to Flagstar or not sell the Loan to Flagstar.
- Proceeds. The proceeds of the Mortgage Loan have not been and shall not be used to satisfy, in whole or in part, any debt owed or owing by the Mortgagor to Correspondent or any Affiliate or correspondent of Correspondent, except in connection with a refinanced Mortgage Loan.

10.5 Indemnification

The Correspondent agrees to indemnify and hold Flagstar and its officers, directors, employees and representatives harmless against any and all claims, losses, expenses, costs, obligations and liabilities, including reasonable attorney's fees and expense, which result or arise from the breach of any representation

or warranty of the Correspondent or default in the performance of any covenant of the Correspondent, contained in this Agreement or the Contract Documents. The Correspondent further agrees to indemnify and hold Flagstar and its officers, directors, employees and representatives harmless against any and all claims, losses, expenses, costs, obligations and liabilities, including reasonable attorney's fees and expenses, resulting from: (i) any Loan that fails to conform with the Applicable Requirements established by Flagstar, (ii) the Correspondent's failure to deliver the Loan File within the time period required by the Contract Documents, (iii) a Loan that is not eligible for sale or pooling by Flagstar, (iv) the default by any takeout investor on a mandatory delivery commitment assigned by the Correspondent to Flagstar, or (v) the origination or servicing (prior to transfer of servicing to Flagstar) of the Loan, including, but not limited to, losses incurred from the withdrawal or reduction of insurance by the FHA, guaranty by the VA or any mortgage insurance company on any Loan, losses resulting from the violation of any local, state or federal law, losses caused by errors in servicing, and losses resulting from missing or incorrect loan documentation.

Within 2 business days after receipt of a request for repurchase or indemnification or other notification of a loan defect from an Insurer or other counterparty, Correspondent shall forward a copy of such notice to Flagstar. With respect to claims for indemnity hereunder by Flagstar not related to claims by third parties the Correspondent shall respond to any such claim in writing within ten (10) business days which response shall set forth (i) the extent to which such claim is conceded, (ii) the extent to which such claim is disputed, both as to subject matter and amount, and (iii) the basis for disputing any such claim.

10.6 Early Payment Default (EPD)

Flagstar shall consider an EPD when any one or more of a borrower's first 4 monthly payments due Flagstar become 90 days or more delinquent. In the event that any loan sold to Flagstar is classified as an Early Payment Default, the Seller shall pay Flagstar a penalty fee of 2.0% of the loan amount.

10.7 Repurchase of Loans

In the event there exists a basis to demand repurchase under the terms of the Correspondent Loan Purchase and Sale Agreement or this Guide, the Correspondent shall repurchase the Loan at the Repurchase Price defined herein no later than thirty (30) calendar days after the receipt by Correspondent of a written demand to repurchase. Flagstar may, at its option, exercise its right to offset and withhold the payment of the compensation (including, without limitation, any Servicing Released Premium) portion of the Loan purchase price for subsequent Loans until such time as the Correspondent has complied with all outstanding demands for repurchase and provided all delinquent loan documentation. Correspondent shall prepare the assignments of Mortgage Instruments and pay all costs and expenses reasonably incurred by Flagstar in effecting the reconveyance of a purchased Loan including, but not limited to, the cost of recording the assignments of the related Mortgage Instrument. Upon completion of such purchase by Correspondent, Flagstar shall forward to Correspondent all servicing records and all documents relating to such purchased Loans. Correspondent's indemnification and repurchase obligations shall survive termination of the Correspondent Loan Purchase and Sale Agreement.

In the event repurchase is triggered due to an early payment default as described in the Correspondent Loan Purchase and Sale Agreement, Flagstar may elect at its sole and absolute discretion to offer the Correspondent an optional alternative remedy of indemnification in lieu of repurchase. The terms of the indemnification shall be established by Flagstar at time it offers the indemnification remedy to Correspondent and Correspondent may either accept the terms of the indemnification or repurchase the Loan.

Within 2 business days after receipt of a request for repurchase or indemnification or other notification of a loan defect from an Insurer or other counterparty, Correspondent shall forward a copy of such notice to Flagstar. In the event a make whole or repurchase demand from an Agency or Investor occurs as a result of a breach of any representation, warranty or covenant in this Agreement or the failure of a Loan to conform to the

applicable requirements for such Loan as set forth in the Contract Documents, Correspondent shall remit the entire make whole or repurchase payment plus any additional fees as outlined in the Guide no later than thirty (30) calendar days after the receipt by Correspondent of a written demand for payment of the make whole or repurchase amount.

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

In the event any Loan purchased by Flagstar hereunder is paid in full within 180 days of the date such Loan was purchased by Flagstar, the Correspondent hereby agrees to repay to Flagstar the compensation portion of the purchase price paid by Flagstar plus any service release premiums paid to Correspondent.

10.8 Waiver

The failure or delay of Flagstar to review any Loan prior to funding and closing, or to exercise any right or remedy available under the Contract Documents or at law or equity, shall not act as a waiver of any other right or remedy, nor shall any single or partial exercise of any right preclude any other or further exercise thereof. No waiver by Flagstar of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver by Flagstar of any other provisions, whether or not similar, nor shall any such waiver constitute a continuing waiver. All remedies shall be cumulative and nonexclusive.

10.9 Reproduction of Documents

The Contract Documents and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any party at the closing, and (c) financial statements, certificated and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding, whether or not the original is in existence and whether or not such reproduction was made by a part in the regular course of business and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

10.10 Further Assurances

The Correspondent shall, from time to time hereafter, upon request of Flagstar and without further consideration, do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered, all such further acts, deeds, assignments, documents, instruments, transfers and assurances as Flagstar may reasonably request to confirm and perfect Flagstar's right, title, and interest in and to, and possession of, the Loans and the Loan Files or to determine the continuing eligibility of Correspondent to register Loan Files with Flagstar. With respect to any Government Loan, upon request, the Correspondent shall provide Flagstar with copies of the case binder submitted to the FHA or the insuring package submitted to the VA, as the case may be. In the event Correspondent fails to deliver timely to Flagstar documents necessary for Flagstar to have custody of complete Loan Files, or if Flagstar otherwise deems itself insecure with the prospect of obtaining such follow-up documents (e.g., assignments, registered deeds, insurance application packages, mortgage insurance certificates) timely from Correspondent, Flagstar has the right hereunder to present itself during business hours upon reasonable notice, at the offices of Correspondent and retrieve into Flagstar's custody such documents.

10.11 No Solicitation

It is understood and agreed that all rights and benefits relating to the solicitation of any Mortgagors and the attendant rights, title and interest in and to the list of such Mortgagors and data relating to the Mortgages

(including insurance renewal dates) shall be transferred to Flagstar pursuant to the Contract Documents and the Correspondent shall take no action to undermine these rights and benefits. For the avoidance of doubt, the Correspondent agrees that Flagstar has the express right to market, offer and sell any services and products to the Mortgagors.

10.12 Right of Offset

In addition to any other rights and remedies available to Flagstar, including, without limitation, the rights and remedies of Flagstar under the Contract Documents, Flagstar shall have the right, at any time, and from time to time, without notice, to offset and to appropriate or apply any and all deposits of money or property or any other indebtedness at any time held or owing by Flagstar to or for the credit of the account of Correspondent against and on account of the obligations and liabilities of Correspondent under the Contract Documents or any other agreement between Correspondent and Flagstar or between Correspondent and any of Flagstar parent entities, subsidiaries or affiliates, irrespective of whether or not Flagstar shall have made any demand hereunder and whether or not said obligations and liabilities shall have matured. For purposes of the right of offset, the determination as to whether Correspondent has any obligations and liabilities under the Contract Documents or any other agreement between Correspondent and Flagstar and the extent of such obligations and liabilities shall be made by Flagstar in its sole and reasonable discretion. Unless otherwise agreed by the parties specifically in writing, such offset shall not be construed as an accord and satisfaction of any obligation due from Correspondent to Flagstar.

10.13 Notification of Change in Status or Adverse Information

Correspondent shall immediately notify Flagstar of any of the following:

- Any change in the information submitted by Correspondent in the Correspondent Approval Application Package or any renewal or update.
- Any material change in the ownership, financial condition or management of Correspondent, including a change in control as defined by any jurisdiction from which it conducts business.
- Correspondent changes the name or address under or from which it conducts business.
- Correspondent is notified or has reason to believe that any Loan submitted by Correspondent to Flagstar was originated in violation of applicable law.
- Correspondent knows or has reason to believe that any information in any Loan File or other document submitted to Flagstar is or becomes untrue, fails to state any material fact, or constitutes a misrepresentation.
- Correspondent is notified or has reason to know of any complaint by an Applicant that would impact the enforceability of the Loan or materially adversely impact the financial condition of Correspondent or the Correspondent's ability to perform under the Contract Documents, or any complaint to or investigation by any federal, state or local regulatory agency, related to any Loan submitted by Broker to Flagstar.
- Correspondent is notified or has reason to know of an Applicant's request to rescind a Loan submitted by Correspondent to Flagstar.
- Correspondent, Correspondent's owner or principal, or any entity owned by Correspondent or Correspondent's owner or principal files a bankruptcy petition or is a party to any similar proceeding.
- Correspondent shall notify Flagstar in the event Correspondent intends to originate Loans through multiple locations or branches or by multiple Mortgage Loan Originators (MLOs), Correspondent agrees to provide Flagstar with such information as Flagstar may reasonably request regarding such locations and MLOs.

10.14 Relationship of Parties

Flagstar and Correspondent acknowledge and agree that at all times they are operating as independent parties. The Contract Documents are for the sole and exclusive benefit and obligation of the parties hereto. Nothing contained herein shall constitute a partnership, joint venture or agency relationship between Flagstar and Correspondent and neither party shall at any time hold itself out to any third party to be an agent or employee of the other.

10.15 Interim Servicing

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

10.16 Definitions

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

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

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

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

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

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

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

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

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

Business Day: Any day other than a Saturday, Sunday, and legal holidays.

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

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

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

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

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

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

Delegated: Correspondent is expressly approved by Flagstar for delegated underwriting.

FHA: The Federal Housing Administration or any successor thereto.

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

mortgagee letters.

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

FNMA: The Federal National Mortgage Association or any successor thereto.

Freddie Mac: The Federal Home Loan Mortgage Corporation, or any successor thereto.

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

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

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

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

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

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

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

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

Mortgage Note: The mortgage Note, deed of trust Note, security deed Note or other form of promissory Note executed by an obligor and secured by a Mortgage Instrument evidencing the indebtedness of the obligor under a Loan.

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

Mortgagor: Any person who executes a Mortgage Instrument.

Parties: Correspondent and Flagstar and Party means either Correspondent or Flagstar, as the case may be.

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

Privacy Requirements: The obligations imposed by: (a) Title V of the Gramm-Leach-Bliley Act, 15 U.S.C. §§ 6801 et seq.; (b) the applicable federal regulations implementing such act and codified at 12 CFR Parts 40, 216, 332, and/or 573; (c) the Interagency Guidelines; and (d) other applicable federal, state and local laws, rules, regulations, and orders relating to the privacy and security of Customer Information, including, but not limited to, the federal Fair Credit Reporting Act, 15 U.S.C. §§ 1681 et seq., and similar state laws.

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

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

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

Registration Date: With respect to each Loan, the date that Correspondent registers the Loan with Flagstar.

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

Repurchase Price: Equals the sum of (i) the aggregate unpaid principal balance of the Loan on the date of repurchase, plus (ii) all accrued and unpaid interest of the Loan on the date of repurchase; plus (iii) any servicing released premium, and any other above-par premium; plus

(iv) all other un-reimbursed costs, expenses and advances, including but not limited to attorney's fees, taxes, insurance or payments authorized by the Note of the Mortgage or applicable law to protect Flagstar's interest in the Loan or related property incurred by Flagstar or its successors or assigns, in connection with such Loan after the Closing Date; plus (v) any other fees, costs or amounts relating thereto.

Sale Date: The date on which any Loan is purchased by Flagstar from Correspondent hereunder.

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

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

Flagstar Eligibility Criteria: The eligibility criteria, policies, procedures, product guidelines and requirements for the origination, processing, closing, funding, acceptance of the Assignment, and making of Loans as may be communicated by Flagstar from time to time to the Correspondent or as may be otherwise posted on a Flagstar website accessible by the Correspondent. Flagstar Eligibility Criteria may be amended at any time by Flagstar in its sole and absolute discretion and such Flagstar Eligibility Criteria shall be effective as to any Application Package received from the Correspondent after notice is provided to the Correspondent or otherwise posted on a Flagstar website accessible by the Correspondent.

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

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