

# TOWNE MORTGAGE COMPANY

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*Delegated Correspondent Seller Guide*

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## 100.00 Introduction and Structure

The following supplemental guidelines are intended to provide a working framework for the efficient and effective delivery of loans by “Seller” to Towne Mortgage Company (“Towne”) for purchase by Towne Mortgage Company, under the terms and conditions of the Towne Mortgage Company CORRESPONDENT LENDING PURCHASE AGREEMENT “Agreement” entered into between the parties.

### 101.00 Definitions

Among other defined terms listed in Section 1 Definitions of the Agreement, and certain terms defined elsewhere herein, the below listed terms shall have the following meanings:

**Guide or Seller Guide** means all policies, procedures, and requirements of Towne made available to the Seller and applicable to the acquisition of Mortgage Loans pursuant to this Agreement. Towne may modify the Guide in part or in whole at any time with or without notice to Seller. The Guide, and all revisions thereto, are expressly incorporated by reference and made a part of the Agreement in all respects, and shall be binding upon the parties; provided, however, that the Seller shall be entitled to sell Mortgage Loans to Towne only if, and for so long as, Seller shall have been authorized to do so by Towne in writing. Specific reference in the Agreement to particular provisions of the Guide and not to other provisions does not mean that those provisions of the Guide not specifically cited in the Agreement are not applicable. All terms used herein shall have the same meaning as such terms have in the Agreement, unless the context clearly requires otherwise. The Agreement will govern over this Guide on matters that conflict or are inconsistent between the two documents.

**Agency or Agencies** means Fannie Mae (formerly known as the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation (“Freddie Mac”), Government National Mortgage Association (“Ginnie Mae”), Federal Housing Administration (“FHA”), Veterans Administration (“VA”), Department of Housing and Urban Development (“HUD”), United States Department of Agriculture (“USDA”), or any other federal or state agency which purchases or insures mortgage loans.

**Agency Guidelines** means the guidelines for eligible mortgage loans set forth by the Agencies. These “Agency Guidelines”, hereinafter referred to also as Correspondent Guidelines or Guidelines, are incorporated into and made a part of the Guide. Seller represents and warrants that all loans delivered to Towne for purchase shall meet each and every requirement of the applicable Agency. The applicable Agency shall be that Agency defined in the loan “Commitment” issued to Seller for individual loans.

**Business Day** means any day on which Towne is open to the public for business, unless defined otherwise herein.

**Closing Date or Consummation** means the time when the Borrower signs a Note evidencing a Mortgage Loan and the Mortgage securing payment of said Note.

**Commitment** means the written correspondence issued by Towne to Seller, which indicates Towne agrees to purchase a specific Mortgage Loan, if and when, all conditions stated in the Commitment, the Loan Purchase Agreement, the Seller Guide, and Agency Guidelines are met.

**Laws** means all federal, state, county, local and foreign laws, regulations, licensing requirements, ordinances, codes, rules, and orders that may be applicable to Seller's business and ability to perform its obligations hereunder, all as may be amended or supplemented from time to time.

**Mortgage Loan Documents** means the Closing Package and, any and all, other documents creating, evidencing, or securing a Mortgage Loan, which are required to be maintained or prepared by Seller pursuant to Loan Purchase Agreement or the Seller Guide.

**Mortgage Loan Program** means a type of Mortgage Loan, the terms and conditions of which are described in the Seller Guide, and which can be offered to prospective Borrowers as an eligible Mortgage Loan under the terms of the Loan Purchase Agreement.

**Original Credit Documents** means all original application, appraisal, credit, and underwriting documents for all Mortgage Loans delivered under the terms of the Agreement.

**Settlement Date** means the date that funds for purchase of the loan by Towne are delivered to the Seller.

## **102.00 Agency Guideline Changes**

Each agency regularly updates eligible loan requirements. It is Seller's duty and responsibility to remain informed as to such changes to ensure all loans delivered to Towne for purchase comply with all requirements of the respective "Agency". Any instances of non-compliance may be grounds for Towne to decline to purchase loans, or to require Seller to repurchase sold loans.

Seller's failure to deliver loans fully compliant with the Guidelines may require Seller to repurchase sold loans, determined at Towne's sole discretion, under Section 6 of the Agreement as well as Section 104.00 of this Guide, as provided for below.

## **103.00 Representations, Warranties and Covenants of Seller Regarding Mortgage Loans**

- (a) **Mortgage Loans as Described.** The information transmitted by the Seller to Towne with respect to the Mortgage is complete, true and correct.
- (b) **Payments Current.** No payment required under the Mortgage Loan is 30 days or more delinquent nor has any payment under the Mortgage Loan been 30 days or more delinquent at any time since the origination of the Mortgage Loan.
- (c) **Origination Date.** Unless otherwise approved by Towne, the proposed purchase date is no more than sixty (60) days following the origination date of the Mortgage Note.
- (d) **No Outstanding Charges.** There are no defaults in complying with the terms of the Mortgage, and 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. Seller has not advanced funds, or induced, solicited or knowingly received any advance of funds by a party other than the Mortgagor, directly or indirectly, for the payment of any amount required under the Mortgage Loan, except for interest accruing from the date of the Mortgage Note or date of disbursement of the Mortgage Loan proceeds, whichever is earlier, to the day which precedes by one month the Due Date of the first installment of principal and interest.
- (e) **Original Terms Unmodified.** The terms of the Mortgage Note and Mortgage have not been impaired, waived, altered or modified in any respect, from the date of origination except by a written instrument which has been recorded, if necessary to protect the interests of Towne, and which has been delivered to Towne or to such other Person as Towne shall designate in writing, and the terms of which are reflected in the Mortgage Loan Schedule. The substance of any such waiver, alteration or modification has been approved by the issuer of any related PMI Policy and the title insurer, if any, to the extent required by the policy, and its terms are reflected on the Mortgage Loan Schedule, if applicable. No Mortgagor has been released, in whole or in part, except in connection with an assumption agreement, approved by the issuer of any related PMI Policy and the issuer of the title insurer, to the extent required by the policy, and which assumption agreement is part of the Mortgage File delivered to Towne or to such other Person as Towne shall designate in writing and the terms of which are reflected in the Mortgage Loan Schedule.
- (f) **No Defenses.** The Mortgage Loan is not subject to any right of rescission, set off, counterclaim or defense, including without limitation the defense of usury, 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 without limitation the defense of usury, and no such right of rescission, set off, counterclaim or defense has been asserted with respect thereto, and no Mortgagor was a debtor in any state or federal bankruptcy or insolvency proceeding at, or subsequent to, the time the Mortgage Loan was originated.

- (g) **Hazard Insurance.** Pursuant to the terms of the Mortgage, all buildings or other improvements upon the Mortgage Property are insured by a generally acceptable insurer against loss by fire, hazards of extended coverage and such other hazards as are provided for in the Agency Guidelines, as well as all additional requirements set forth in the Approved Underwriting Guidelines. If required by the National Flood Insurance Act of 1968, as amended, each Mortgage Loan is covered by a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration as in effect which policy conforms to Agency Guidelines. Where required by state law or regulation, the Mortgagor has been given an opportunity to choose the carrier of the required hazard insurance, provided the policy is not a “master” or “blanket” hazard insurance policy covering a condominium, or any hazard insurance policy covering the common facilities of a planned unit development. The hazard insurance policy is the valid and binding obligation of the insurer, is in full force and effect, and will be in full force and effect and inure to the benefit of Towne upon the consummation of the transactions contemplated by this Guide and/or the Agreement. Seller has not engaged in, and has no knowledge of the Mortgagor’s or any servicer’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 such policy, including, without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind has been or will be received, retained or realized by any attorney, firm or other person or entity, and no such unlawful items have been received, retained or realized by Seller.
- (h) **Compliance with Applicable Laws.** Any and all requirements of any federal, state or local law including, without limitation, usury, Truth in Lending Act, Real Estate Settlement Procedures Act, consumer credit protection, anti-predatory lending laws, laws covering fair housing, Fair Credit Reporting Act, Community Reinvestment Act, Homeowners Equity Protection Act, Equal Credit Opportunity Act, mortgage reform and disclosure laws or unfair, abusive and deceptive acts or practices laws applicable to the Mortgage Loan have been complied with, the consummation of the transactions contemplated hereby will not involve the violation of any such laws or regulations. Seller shall maintain in its possession, available for Towne’s inspection, and shall deliver to Towne upon demand, evidence of compliance with all requirements set forth herein. The Seller administers an internal quality control plan meeting or exceeding the minimum requirements of the Agencies.
- (i) **No Satisfaction of Mortgage.** The Mortgage has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the Mortgage Property has not been released from the lien of the Mortgage, in whole or in part, nor has any instrument been executed that would affect any such release, cancellation, subordination or rescission. Seller has not waived the performance by the Mortgagor of any action, if the Mortgagor’s failure to perform such action would cause the Mortgage Loan to be in default, nor has Seller waived any default resulting from any action or inaction by the Mortgagor.
- (j) **Location and Type of Mortgage Property.** No collateral (including, without limitation, the related real property and the dwellings thereon and otherwise) relating to such Mortgage Loan is located in any jurisdiction other than the United States of America or the District of Columbia. The Mortgage Property is a fee simple property located in the state identified in the Mortgage Loan Schedule except that with respect to real property located in jurisdictions in which the use of leasehold estates for residential properties is a widely accepted practice, the Mortgage Property may be a leasehold estate and consists of a single parcel of real property with a detached single family residence erected thereon, or a two to four family dwelling, or an individual residential condominium in a low rise or high-rise condominium Project, or an individual unit in a planned unit development and that no residence or dwelling is (i) a mobile home or (ii) a manufactured home other than a Manufactured Home Mortgage Loan, provided, however, that any condominium or planned unit development shall not fall within any of the “Ineligible Projects” sections of the Agency Guidelines and shall conform with the Approved Underwriting Guidelines. Seller will ensure loans are compliant with Section 400 of this Guide. As of the date of origination, no portion of the Mortgage Property was used for commercial purposes, and since the date of origination, no portion of the Mortgage Property has been used for commercial purposes; provided, that Mortgage Properties which contain a home office shall not be considered as being used for commercial purposes as long as the Mortgage Property has not been altered for commercial purposes and is not storing any chemicals or raw materials other than those commonly used for homeowner repair, maintenance and/or household purposes.

- (k) **Valid First Lien.** Each Mortgage is a valid and subsisting first lien of record on a single parcel of real estate constituting the Mortgage Property, including all buildings and improvements on the Mortgage Property and all installations and mechanical, electrical, plumbing, heating and air conditioning systems located in or annexed to such buildings, and all additions, alterations and replacements made at any time, subject in all cases to the exceptions to title set forth in the title insurance policy with respect to the related Mortgage Loan, which exceptions are generally acceptable to prudent mortgage lending companies, and such other exceptions to which similar properties are commonly subject and which do not individually, or in the aggregate, materially and adversely affect the benefits of the security intended to be provided by such Mortgage. The lien of the Mortgage is subject only to: (i) the lien of current real property taxes and assessments not yet due and payable. (ii) covenants, conditions and restrictions, rights of way, easements and other matters of the public record as of the date of recording acceptable to prudent mortgage lending institutions generally and specifically referred to in the lender's title insurance policy delivered to the originator of the Mortgage Loan and (a) specifically referred to or otherwise considered in the appraisal made for the originator of the Mortgage Loan or (b) which do not adversely affect the Appraised Value of the Mortgage Property set forth in such appraisal; and (iii) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided by the Mortgage or the use, enjoyment, value or marketability of the related Mortgage Property. Any security agreement, chattel mortgage or equivalent document related to and delivered in connection with the Mortgage Loan establishes and creates a valid, subsisting, enforceable and perfected first lien and first priority security interest on the property described therein and Seller has full right to sell and assign the same to Towne. The Mortgage Property was not, as of the date of origination of the Mortgage Loan, subject to a mortgage, deed of trust, deed to secure debt or other security instrument creating a lien subordinate to the lien of the Mortgage.
- (l) **Validity of Mortgage Loan Documents.** The Mortgage Note and the Mortgage and any other agreement executed and delivered by a Mortgagor in connection with a Mortgage Loan are genuine, and each is the legal, valid and binding obligation of the maker thereof enforceable in accordance with its terms. All parties to the Mortgage Note, the Mortgage and any other such related agreement had legal capacity to enter into the Mortgage Loan and to execute and deliver the Mortgage Note, the Mortgage and any such agreement, and the Mortgage Note, the Mortgage and any other such related agreement have been duly and properly executed by other such related parties. The documents, instruments and agreements submitted for loan underwriting 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. No fraud, error, omission, misrepresentation, negligence or similar occurrence with respect to a Mortgage Loan has taken place on the part of any Person, including without limitation, the Mortgagor, any appraiser, any builder or developer, or any other party involved in the origination or servicing of the Mortgage Loan or in the application or any insurance in relation to such Mortgage Loan. Seller has reviewed all of the documents constituting the Mortgage File and has made such inquiries as it deems necessary to make and confirm the accuracy of the representations set forth herein.
- (m) **Full Disbursement of Proceeds.** With the exception of Agency renovation loan products or loans with escrow holdbacks for repairs, as acceptable to Towne, the Mortgage Loan has been closed and the proceeds of the Mortgage Loan have been fully disbursed and there is no requirement for future advances thereunder, and any and all requirements as to completion of any on site or off site improvement and as to disbursements of any escrow funds therefor have been complied with. All costs, fees and expenses incurred in making or closing the Mortgage Loan and the recording of the Mortgage were paid, and the Mortgagor is not entitled to any refund of any amounts paid or due under the Mortgage Note or Mortgage.
- (n) **Ownership.** Seller is the sole owner of record and holder of the Mortgage Loan and the indebtedness evidenced by each Mortgage Note and upon the sale of the Mortgage Loans to Towne, Seller will deliver all the Mortgage Loan Documents or any part thereof with respect thereto to Towne as required by the Agreement. The Mortgage Loan is not assigned or pledged, and Seller has good, indefeasible and marketable title thereto, and has full right to transfer and sell the Mortgage Loan to Towne free and clear of any encumbrance, equity, participation interest, lien, pledge, charge, claim or security interest, and has full right and authority subject to no interest or participation of, or agreement with, any other party, to sell and assign each Mortgage Loan pursuant to the Agreement and following the sale of each Mortgage Loan, Towne will own such Mortgage Loan free and clear of any encumbrance, equity, participation interest, lien, pledge, charge, claim or security interest. Seller intends to relinquish all rights to possess, control and monitor the Mortgage Loan.
- (o) **Doing Business.** All parties which have had any interest in the Mortgage Loan, whether as mortgagee, assignee, pledgee or otherwise, are (or, during the period in which they held and disposed of such interest, were) (1) in compliance with any and all

applicable licensing requirements of the laws of the state wherein the Mortgage Property is located, and (2) either (i) organized under the laws of such state, or (ii) qualified to do business in such state, or (iii) a federal savings and loan association, a savings bank or a national bank.

- (p) **LTV, PMI Policy.** The Seller is responsible to purchase a commitment/policy from an agency approved private mortgage insurer prior to the mortgage loan closing for all loans requiring private mortgage insurance (PMI). All provisions of such PMI Policy are compliant with Agency Guidelines, the Policy provisions have been and are being complied with, such policy is in full force and effect, and all premiums due thereunder have been paid.
- (q) **Title Insurance.** The Mortgage Loan is covered by an ALTA lender's title insurance policy, or with respect to any Mortgage Loan for which the related Mortgage Property is located in California a CLTA lender's title insurance policy, or other generally acceptable form of policy or insurance acceptable to the Agencies and each such title insurance policy is issued by a title insurer acceptable to the Agencies and qualified to do business in the jurisdiction where the Mortgage Property is located, insuring Seller, its successors and assigns, as to the first priority lien of the Mortgage in the original principal amount of the Mortgage Loan, subject only to the exceptions contained in this Guide, and in the case of adjustable rate Mortgage Loans, against any loss by reason of the invalidity or unenforceability of the lien resulting from the provisions of the Mortgage providing for adjustment to the Mortgage Interest Rate and Monthly Payment. Where required by state law or regulation, the Mortgagor has been given the opportunity to choose the carrier of the required mortgage title insurance. Additionally, such lender's title insurance policy affirmatively insures ingress and egress, and against encroachments by or upon the Mortgage Property or any interest therein. The title policy does not contain any special exceptions (other than the standard exclusions) for zoning and uses and has been marked to delete the standard survey exception or to replace the standard survey exception with a specific survey reading. Seller, its successors and assigns, are the sole insureds of such lender's title insurance policy, and such lender's title insurance policy is valid and remains in full force and effect and will be in force and effect upon the consummation of the transactions contemplated by this Guide and/or the Agreement. No claims have been made under such lender's title insurance policy, and no prior holder of the related Mortgage, including Seller, has done, by act or omission, anything which would impair the coverage of such lender's title insurance policy, including without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind has been or will be received, retained or realized by any attorney, firm or other Person or entity, and no such unlawful items have been received, retained or realized by Seller.
- (r) **No Defaults.** Other than payments due but not yet 30 days or more delinquent, there is no default, breach, violation or event which would permit acceleration existing under the Mortgage or the Mortgage Note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event which would permit acceleration, and neither Seller nor any of its affiliates nor any of their respective predecessors, have waived any default, breach, violation or event which would permit acceleration.
- (s) **No Mechanics' Liens.** There are no mechanics' or similar liens or claims which have been filed for work, labor or material (and no rights are outstanding that under law could give rise to such liens) affecting the related Mortgage Property which are or may be liens prior to, or equal or coordinate with, the lien of the related Mortgage.
- (t) **Location of Improvements; No Encroachments.** All improvements which were considered in determining the Appraised Value of the Mortgage Property lay wholly within the boundaries and building restriction lines of the Mortgage Property, and no improvements on adjoining properties encroach upon the Mortgage Property. No improvement located on or being part of the Mortgage Property is in violation of any applicable zoning law or regulation.
- (u) **Origination; Payment Terms.** The Mortgage Loan was originated by Seller. Seller is a mortgagee approved by the Secretary of Housing and Urban Development pursuant to Sections 203 and 211 of the National Housing Act, a savings and loan association, a savings bank, a commercial bank, credit union, mortgage banking company, insurance company or other similar institution which is supervised and examined by a federal or state authority. The documents, instruments and agreements submitted for loan underwriting 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. No Mortgage Loan contains terms or provisions which would result in negative amortization. Principal payments on the Mortgage Loan commenced no more than sixty days after funds were disbursed in connection with the Mortgage Loan. The mortgage interest rate as well as the lifetime

rate cap and the periodic cap are as set forth on the Mortgage Loan Schedule. The Mortgage Note is payable in equal monthly installments of principal and interest, which installments of interest, with respect to adjustable rate Mortgage Loans, are subject to change due to the adjustments to the mortgage interest rate on each interest rate adjustment date, with interest calculated and payable in arrears, sufficient to amortize the Mortgage Loan fully by the stated maturity date, over an original term of not more than thirty years from commencement of amortization. Unless otherwise specified, the Mortgage Loan is payable on the first day of each month. There are no Mortgage Loans which contain a provision allowing the Mortgagor to convert the Mortgage Note from an adjustable interest rate Mortgage Note to a fixed interest rate Mortgage Note.

- (v) **Customary Provisions.** The Mortgage contains customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Mortgage Property of the benefits of the security provided thereby, including, (i) in the case of a Mortgage designated as a deed of trust, by trustee's sale, and (ii) otherwise by judicial foreclosure. Upon default by a Mortgagor on a Mortgage Loan and foreclosure on, or trustee's sale of, the Mortgage Property pursuant to the proper procedures, the holder of the Mortgage Loan will be able to deliver good and merchantable title to the Mortgage Property. There is no homestead or other exemption or other right available to the Mortgagor or any other person, or restriction on Seller or any other person, including without limitation, any federal, state or local, law, ordinance, decree, regulation, guidance, attorney general action, or other pronouncement, whether temporary or permanent in nature, that would interfere with, restrict or delay, either (y) the ability of Seller, Towne or any servicer or any successor servicer to sell the related Mortgage Property at a trustee's sale or otherwise, or (z) the ability of Seller, Towne or any servicer or any successor servicer to foreclose on the related Mortgage.
- (w) **Conformance with Agency and Approved Underwriting Guidelines.** The Mortgage Loan was underwritten in accordance with the Guide and the Agency Guidelines and Underwriting Guidelines. The Mortgage Note and Mortgage are on forms acceptable to Freddie Mac, Fannie Mae, VA, USDA or FHA, as applicable, and Seller has not made any representations to a Mortgagor that are inconsistent with the mortgage instruments used.
- (x) **Occupancy of the Mortgage Property.** The Mortgage Property is lawfully occupied under applicable law. All inspections, licenses and certificates required to be made, or issued with respect to all occupied portions of the Mortgage Property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities.
- (y) **No Additional Collateral.** The Mortgage Note is not and has not been secured by any collateral except the lien of the corresponding Mortgage and the security interest of any applicable security agreement or chattel mortgage referred to in clause (j) above.
- (z) **Deeds of Trust.** In the event the Mortgage constitutes a deed of trust, a trustee, authorized and duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or will become payable by Towne to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgagor.
- (aa) **Acceptable Investment.** There are no circumstances or conditions with respect to the Mortgage, the Mortgage Property, the Mortgagor, the Mortgage File or the Mortgagor's credit standing that can reasonably be expected to cause private institutional investors to regard the Mortgage Loan as an unacceptable investment, cause the Mortgage Loan to become delinquent, or adversely affect the value or marketability of the Mortgage Loan, or cause the Mortgage Loans to prepay during any period materially faster or slower than the mortgage loans originated by Seller generally.
- (bb) **Delivery of Mortgage Loan Documents.** The Mortgage Note, the Mortgage, the Assignment of Mortgage and any other documents required to be delivered under the Agreement for each Mortgage Loan have been delivered to Towne.



- (cc) **Condominiums/Planned Unit Developments.** If the Mortgage Property is a condominium unit or a planned unit development (other than a de minimis planned unit development) such condominium or planned unit development project is (i) acceptable to the Agencies or (ii) located in a condominium or planned unit development project which has received project approval from the Agencies. The representations and warranties required by the Agencies with respect to such condominium or planned unit development have been satisfied and remain true and correct.
- (dd) **Transfer of Mortgage Loans.** The Assignment of Mortgage with respect to each Mortgage Loan is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the Mortgage Property is located. The transfer, assignment and conveyance of the Mortgage Notes and the Mortgages by Seller are not subject to the bulk transfer or similar statutory provisions in effect in any applicable jurisdiction.
- (ee) **Due on Sale.** The Mortgage contains an enforceable provision for the acceleration of the payment of the unpaid principal balance of the Mortgage Loan in the event that the Mortgage Property is sold or transferred without the prior written consent of the mortgagee thereunder, and to the best of Seller's knowledge, such provision is enforceable.
- (ff) **Assumability.** Other than FHA, VA, USDA and certain Agency Adjustable Rate Loans, no Mortgage Loan is assumable.
- (gg) **No Buydown Provisions; No Graduated Payments or Contingent Interests.** The Mortgage Loan does not contain provisions pursuant to which Monthly Payments are paid or partially paid with funds deposited in any separate account established by Seller, the Mortgagor, or anyone on behalf of the Mortgagor, or paid by any source other than the Mortgagor nor does it contain any other similar provisions which may constitute a "buydown" provision. The Mortgage Loan is not a graduated payment mortgage loan and the Mortgage Loan does not have a shared appreciation or other contingent interest feature.
- (hh) **Consolidation of Future Advances.** Any future advances made to the Mortgagor prior to the Purchase Date have been consolidated with the outstanding principal amount secured by the Mortgage, and the secured principal amount, as consolidated, bears a single interest rate and single repayment term. The lien of the Mortgage securing the consolidated principal amount is expressly insured as having first lien priority by a title insurance policy, an endorsement to the policy insuring the mortgagee's consolidated interest or by other title evidence acceptable to the Agencies, as applicable. The consolidated principal amount does not exceed the original principal amount of the Mortgage Loan.
- (ii) **Mortgage Property Undamaged; No Condemnation Proceedings.** There is no proceeding pending or threatened for the total or partial condemnation of the Mortgage Property. The Mortgage Property is undamaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado or other casualty so as to affect adversely the value of the Mortgage Property as security for the Mortgage Loan or the use for which the premises were intended and each Mortgage Property is in good repair.
- (jj) **Collection Practices; Escrow Deposits; Interest Rate Adjustments.** The origination, servicing and collection practices used by Seller with respect to the Mortgage Loan have been in all respects in compliance with Accepted Servicing Practices, applicable laws and regulations, and have been in all respects legal and proper and prudent in the mortgage origination and servicing business. With respect to escrow deposits and Escrow Payments, all such payments are in the possession of, or under the control of, Seller 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 and the provisions of the related Mortgage Note and Mortgage. 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 Seller 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 and Mortgage Note on the related interest rate adjustment date. If, pursuant to the terms of the Mortgage Note, another index was selected for determining the mortgage interest rate, the same index was used with respect to each Mortgage Note which required a new index to be selected, and such selection did not conflict with the terms of the related Mortgage Note. Seller executed and delivered any and all notices required under applicable law and the terms of the related Mortgage Note and Mortgage regarding the mortgage interest rate and the Monthly Payment adjustments. Any interest required to be paid pursuant to state, federal and local law has been properly paid and credited.

- (kk) **No Violation of Environmental Laws.** The Mortgage Property is free from any and all toxic or hazardous substances and there exists no violation of any local, state or federal environmental law, rule or regulation. There is no pending action or proceeding directly involving the Mortgage Property in which compliance with any environmental law, rule or regulation is an issue; there is no violation of any environmental law, rule or regulation with respect to the Mortgage Property; and nothing further remains to be done to satisfy in full all requirements of each such law, rule or regulation constituting a prerequisite to use and enjoyment of said property.
- (ll) **Servicemembers Civil Relief Act of 2003.** The Mortgagor has not notified Seller, and Seller has no knowledge of any relief requested or allowed to the Mortgagor under the Servicemembers Civil Relief Act of 2003.
- (mm) **Appraisal.** Unless otherwise waived by Towne or its assignees pursuant to the applicable Agency guide, the Mortgage File contains an appraisal of the related Mortgage Property signed prior to the approval of the Mortgage Loan application by a qualified appraiser, duly appointed by Seller, who had no interest, direct or indirect in the Mortgage Property or in any loan made on the security thereof, and whose compensation is not affected by the approval or disapproval of the Mortgage Loan, and the appraisal and appraiser both satisfy the requirements of Fannie Mae, Freddie Mac, VA, USDA or FHA and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and the regulations promulgated thereunder, all as in effect on the date the Mortgage Loan was originated.
- (nn) **Disclosure Materials.** The Mortgagor has executed a statement to the effect that the Mortgagor has received all disclosure materials required by, and Seller has complied with, all applicable law with respect to the making of the Mortgage Loans. Seller shall maintain such statement in the Mortgage File.
- (oo) **Construction or Rehabilitation of Mortgage Property.** Unless otherwise approved by Towne in writing and other than with respect to Fannie Mae HomeStlye and FHA 203k Mortgage Loans, no Mortgage Loan was made in connection with the construction or rehabilitation of a Mortgage Property or facilitating the trade in or exchange of a Mortgage Property.
- (pp) **Value of Mortgage Property.** Seller has no knowledge of any circumstances existing that could reasonably be expected to adversely affect the value or the marketability of any Mortgage Property or Mortgage Loan or to cause the Mortgage Loans to prepay during any period materially faster or slower than similar mortgage loans held by Seller generally secured by properties in the same geographic area as the related Mortgage Property.
- (qq) **No Defense to Insurance Coverage.** Seller has caused or will cause to be performed any and all acts required to preserve the rights and remedies of Towne in any insurance policies applicable to the Mortgage Loans including, without limitation, any necessary notifications of insurers, assignments of policies or interests therein, and establishments of coinsured, joint loss payee and mortgagee rights in favor of Towne. No action has been taken or failed to be taken, no event has occurred and no state of facts exists or has existed on or prior to the Purchase Date (whether or not known to Seller on or prior to such date) which has resulted or will result in an exclusion from, denial of, or defense to coverage under any applicable, special hazard insurance policy, or applicable PMI Policy or bankruptcy bond (including, without limitation, any exclusions, denials or defenses which would limit or reduce the availability of the timely payment of the full amount of the loss otherwise due thereunder to the insured) whether arising out of actions, representations, errors, omissions, negligence, or fraud of Seller, the related Mortgagor or any party involved in the application for such coverage, including the appraisal, plans and specifications and other exhibits or documents submitted therewith to the insurer under such insurance policy, or for any other reason under such coverage, but not including the failure of such insurer to pay by reason of such insurer's breach of such insurance policy or such insurer's financial inability to pay.
- (rr) **Prior Servicing.** Each Mortgage Loan has been serviced in all material respects in strict compliance with generally accepted servicing practices.

- (ss) **Credit Information.** As to each consumer report (as defined in the Fair Credit Reporting Act, Public Law 91 508) or other credit information furnished by Seller to Towne, that Seller has full right and authority and is not precluded by law or contract from furnishing such information to Towne and Towne is not precluded from furnishing the same to any subsequent or prospective purchaser of such Mortgage. Seller shall hold Towne harmless from any and all damages, losses, costs and expenses (including attorney's fees) arising from disclosure of credit information in connection with Towne's secondary marketing operations and the purchase and sale of mortgages or Servicing Rights thereto.
- (tt) **Leaseholds.** Currently, Towne does not allow for Leaseholds.
- (uu) **Prepayment Penalty.** No Mortgage Loan is subject to a prepayment penalty such that an amount in excess of the unpaid principal balance is due by the Mortgagor if Mortgagor prepays the Mortgage Loan prior to the maturity date of such Mortgage Loan.
- (vv) **Predatory Lending Regulations; High Cost Loans.** No Mortgage Loan (i) is classified as High Cost Mortgage Loans or (ii) is subject to Section 226.32 of Regulation Z or any similar state law (relating to high interest rate credit/lending transactions). No Mortgagor was encouraged or required to select a Mortgage Loan product offered by Seller or the originator which is a higher cost product designed for less creditworthy borrowers, unless at the time of the Mortgage Loan's origination, such Mortgagor did not qualify taking into account credit history and debt to income ratios for a lower cost credit product then offered by Seller or originator. If, at the time of loan application, the Mortgagor qualified for a lower cost credit product then offered by Seller or the originator's standard mortgage channel (if applicable), Seller or the originator directed the Mortgagor towards such standard mortgage channel, or offered such lower-cost credit product to the Mortgagor.
- (ww) **Ohio Stated Income Exclusion.** Each Mortgage Loan with an origination date on or after January 1, 2007 which is secured by Mortgage Property located in Ohio was originated pursuant to a program which requires verification of the borrower's income in accordance with "Full and Alternative Documentation" programs as described within the Approved Underwriting Guidelines.
- (xx) **Single premium Credit or Life Insurance Policy.** In connection with the origination of any Mortgage Loan, no proceeds from any Mortgage Loan were used to purchase any single premium credit insurance policy (e.g., life, mortgage, disability, accident, unemployment, or health insurance product) or debt cancellation agreement as a condition of obtaining the extension of credit. No Mortgagor obtained a prepaid single premium credit insurance policy (e.g., life, mortgage, disability, accident, unemployment, or health insurance product) or debt cancellation agreement in connection with the origination of the Mortgage Loan; No proceeds from any Mortgage Loan were used to purchase single premium credit insurance policies (e.g., life, mortgage, disability, accident, unemployment, or health insurance product) or debt cancellation agreements as part of the origination of, or as a condition to closing, such Mortgage Loan.
- (yy) **Qualified Mortgage.** Each Mortgage Loan satisfies the following criteria: (i) such Mortgage Loan is a Qualified Mortgage; (ii) prior to the origination of such Mortgage Loan, the related originator made a reasonable and good faith determination that the related Mortgagor would have a reasonable ability to repay such Mortgage Loan according to its terms, in accordance with, at a minimum, the eight underwriting factors set forth in 12 CFR 1026.43(c)(2); and (iii) such Mortgage Loan is supported by documentation that evidences compliance with the Ability to Repay Rule and the QM Rule. All points and fees related to each Mortgage Loan were disclosed in writing to the Mortgagor in accordance with applicable state and federal law and regulation. No Mortgagor was charged "points and fees" (whether or not financed) in an amount that exceeds 3% of the total loan amount (or such other applicable limits for lower balance Mortgages) as specified under 12 CFR 1026.43(e) (3), and the points and fees were calculated using the calculation required for qualified mortgages under 12 CFR 1026.32(b) to determine compliance with applicable requirements.
- (zz) **Ability to Repay Determination.** There is no action, suit or proceeding instituted by or against or threatened against Seller in any federal or state court or before any commission or other regulatory body (federal, state or local, foreign or domestic) that questions or challenges the compliance of such Mortgage Loan (or the related underwriting) with the Ability to Repay Rule or the QM Rule.

- (aaa) **Regarding the Mortgagor.** The Mortgagor is one or more natural persons and/or trustees for an Illinois land trust or a trustee under a “living trust” and such “living trust” is in compliance with Fannie Mae guidelines for such trusts.
- (bbb) **Recordation.** Each original Mortgage was recorded and, except for those Mortgage Loans subject to the MERS identification system, all subsequent assignments of the original Mortgage (other than the assignment to Towne) have been recorded in the appropriate jurisdictions wherein such recordation is necessary to perfect the lien thereof as against creditors of Seller, or is in the process of being recorded.
- (ccc) **FICO Scores.** Other than with respect to USDA Mortgage Loans, each Mortgage Loan has a non-zero FICO score.
- (ddd) **Georgia Mortgage Loans.** There is no Mortgage Loan that was originated on or after March 7, 2003 that is a “high cost home loan” as defined under the Georgia Fair Lending Act.
- (eee) **Illinois Mortgage Loans.** All Mortgage Loans originated on or after September 1, 2006 secured by property located in Cook County, Illinois are recordable at the time of origination.
- (fff) **Subprime Mortgage Loans.** No Mortgage Loan is a “Subprime” loan as defined by state and/or federal consumer protection laws.
- (ggg) **Balloon Mortgage Loans.** No Mortgage Loan is a balloon mortgage loan.
- (hhh) **Adjustable Rate Mortgage Loans.** Each Mortgage Loan that is an adjustable rate Mortgage Loan and that has a residential loan application date on or after September 13, 2007, complies in all material respects with the Interagency Statement on Subprime Mortgage Lending, 72 FR 37569 (July 10, 2007), regardless of whether the Mortgage Loan’s originator or Seller is subject to such statement as a matter of law.
- (iii) **Agency Mortgage Loans.** With the exception of allowable Agency High Balance Loans, each Mortgage Loan had a principal balance at its origination that did not exceed such Agency’s conforming loan limits as of the Purchase Date.
- (jjj) **Mandatory Arbitration.** No Mortgage Loan is subject to mandatory arbitration.
- (kkk) **Prior Financing.** No Mortgage Loan has been subject to any other repurchase agreement or credit facility prior to the initial Purchase Date of such Mortgage Loan. The Mortgage Loan has not been declined for purchase by any other investor or been repurchased by Seller from a third party investor.

## **104.00 Repurchase**

**Repurchase of Mortgage Loans by Seller.** Upon written request, Seller is required to immediately repurchase, at the Repurchase Price, any Mortgage Loan sold to Towne pursuant to the Agreement for any of the following reasons:

- (a) A breach of any of the Seller’s representations, warranties, covenants or agreements made in the Agreement or this Guide with respect to itself or such Mortgage Loan.
- (b) Failure by Seller to deliver to Towne the proper Mortgage Loan Documents pursuant to Section 3 of the Agreement and pursuant to this Guide.
- (c) Towne reveals any evidence of fraud in the origination and closing of the Mortgage Loan by: i.) the Seller or its employees, directors, officers, agents and independent contractors (including without limitation, sellers or brokers of the Seller); or ii.) the Borrower.
- (d) If Towne determines the Mortgage Loan is not eligible under the Mortgage Loan Program for which it was registered and delivered by the Seller.
- (e) Seller fails to observe or perform or breaches any of the representations, warranties, covenants or agreements contained in the

Agreement, this Guide, or Agency Guidelines with respect to a particular Mortgage Loan.

(f) If Towne determines the Mortgage Loan to be a "High Cost Loan" or predatory or similar loan as defined under applicable Federal, state or local law.

(g) Towne is required to repurchase said Mortgage Loan from an Agency, or any other third party investor for any reason involving the origination or closing of the Mortgage Loan.

### **105.00 Remedies for Early Payment Default**

If an Early Payment Default shall occur with respect to any Mortgage Loan sold to Towne by the Seller, Towne in its sole discretion, shall have the right upon notice to require the Seller immediately to repurchase such Mortgage Loan at the Repurchase Price. In lieu of requesting a repurchase of such Mortgage Loan, Towne, at its sole option, may require the Seller to pay an Early Payment Default Fee with respect to any Mortgage Loan for which an Early Payment Default has occurred.

For these purposes, an "Early Payment Default" shall occur when (a) any of the first four (4) payments due Towne after Towne acquires the Mortgage Loan becomes ninety (90) or more days past due, or (b) Towne or its assigns is unable to sell the Mortgage Loan within four (4) months of its acquisition from the Seller due to default, foreclosure or delinquency.

An "Early Payment Default Fee" for any Mortgage Loan which experiences an Early Payment Default shall be an amount specified by Towne, in Towne's sole discretion that is generally equal to the SRP, the pricing premium and a non-refundable fee of \$1,500.

### **106.00 Remedies for Early Payoff**

If any Mortgage Loan purchased by Towne from Seller has been paid in full, for any reason, within 180 days of the purchase of such Mortgage Loan by Towne, the Seller is required to pay to Towne an Early Payoff Fee. An "Early Payoff Fee" shall be an amount equal to the greater of (a) the premium paid by Towne for such Mortgage Loan (b) the total service release premium (SRP) for such Mortgage Loan at the time of such purchase. The Early Payoff Fee shall be due and payable within thirty (30) days of the invoice date provided by Towne to Seller. Notwithstanding the foregoing, if a Mortgage Loan subject to an early payoff, as described in this Section 106.00, is sold to Towne, Towne, in its sole discretion, may reduce the amount payable by the Seller to Towne in respect of such early payoff.

### **107.00 Right of Setoff**

Towne may deduct or setoff any and all amounts owed by Seller to Towne from or against any amounts payable by Towne to Seller, including, but not limited to:

- a. the Seller's indemnification and repurchase obligations contained in the Agreement and/or this Guide;
- b. Fees, penalties and expenses arising out of the Seller's failure to timely delivery any final documentation;
- c. pair-off fees, penalties or charges relating to delivered or undelivered mortgage loans;
- d. costs and expenses arising out the Seller's breach of any of its representations, warranties, covenants or agreements under the Agreement; and
- e. costs and expenses incurred by Towne as a result of action taken by Towne based on Towne's reasonable belief that the Seller is no longer able to fulfill its obligations under the Agreement, including its repurchase and indemnification obligations hereunder.

## 200.00 Rate Lock and Pricing

### **201.00 Lock-In Policy**

Towne may, in its sole discretion, provide to Seller a lock-in which shall protect the price, terms, rate, loan program, loan limit, loan-to-value ratio, points and fees for each Mortgage Loan. Towne shall honor the terms of any Mortgage Loan that has been locked-in provided, however, that Seller complies with the terms of the Guide and the Agreement. Towne reserves the right to change the terms and conditions of new programs for new loans to be locked-in from time to time in its sole discretion.

Seller agrees to either a “mandatory” or “best-efforts” delivery on all Mortgage Loans locked-in with Towne. If Seller does not deliver a best-efforts Mortgage Loan locked-in with Towne that actually closes, Towne may require Seller to pay a pair-off fee in accordance with the Seller Guide. If either i.) Seller has been advised the Mortgage Loan cannot be approved by Towne, or ii.) the Borrower withdraws its Mortgage Loan application and does not close the loan with the Seller and Seller provides satisfactory documentation of said withdrawal to Towne, then a pair-off fee will not be charged. Loans that are locked as a mandatory and are not delivered (whether the loans closes or not) will be subject to a pair-off fee.

A marketing fee, to be determined in Towne's discretion, will be assessed pursuant to the terms of the Seller Guide for any loan that is saleable but not in compliance with the Commitment or lock-in if Towne opts, in its sole discretion, to purchase such non-compliant loan.

All Loans can be locked under any of our *eligible* lock terms as described on our daily rate sheet. *All loans must be received in our office on or before the rate lock expiration date.* The file would have to be delivered to our office no later than midnight to be deemed as "on or before the rate lock expiration date". The loan package should include all documents necessary to fund the loan with the exception of the original note (see below for note delivery instructions). **Loans must be cleared of any outstanding items within 7 business days of notification of missing documentation. From that point loans will be charged 2bps per day until all loan conditions are received.**

For all loans delivered to Towne, Seller must deliver all of the Mortgage Loan Documents in compliance with this Guide no later than the lock-in expiration date. Failure to deliver all Mortgage Loan Documents by the lock-in expiration date and according to this Guide may cause a Mortgage Loan to be either subject to repricing at such price to be determined by Towne in its sole discretion or rejected by Towne in its sole discretion. Seller understands that Towne has no responsibility to purchase a closed loan if the Mortgage Loan Documents are not received by Towne on or before the lock-in expiration date or if the closed loan does not comply with the terms of this Agreement, the Commitment or the Seller Guide.

Loans that are Purchase Suspended (Approved with Outstanding Conditions), with no activity for 30 days, Towne will contact the Seller to confirm if the loan is still active. If response is not received within 5 business days, the loan will be cancelled.

#### **Holiday or Weekend Expiration:**

If the lock expiration date falls on a weekend or holiday, the loan file will be due on the next business day following the holiday or weekend.

## **202.00 Lock-in Process**

Rate lock requests must be submitted electronically, through the above pricing portal. The pricing portal is generally open from 10:30 am through 11:59 pm EST Monday – Friday. Rate lock requests are not valid until confirmed by the Secondary Marketing Department via email notification or confirmed locked in the pricing portal. It is Sellers responsibility to monitor receipt of rate lock confirmations, which Seller should generally receive by 8:00 pm EST. Some LLPAs not included in the rate lock request or confirmation may be included in the final loan purchase advice.

Incomplete or inaccurate requests for rate locks will be rejected. Seller is responsible for correcting errors or omissions on all rate lock requests. Loan pricing terms are not guaranteed until the complete and accurate request is received and confirmed by Towne.

## **203.00 Loan Pricing and Price Changes**

Pricing is subject to change without notice. Loan program pricing information, including loan level pricing adjusters (LLPAs), may be accessed electronically through the lock link at <https://tpo.townemortgage.com> or calling (248) 247-1800, Ext. 1407. Contact your Towne Account Executive regarding access to this site.

## **204.00 Lock Desk Contact**

All questions related to policies, locking loans, price quotes, expiring locks, off sheet pricing, etc. should be directed through the Secondary Marketing Department help desk; contact information below.

Help Desk: Monday - Friday until 6:00 p.m. EST:

[secondary@townemortgage.com](mailto:secondary@townemortgage.com)

(248) 247-1800, Ext. 1407

For more information, see Towne’s posted Rate Lock Policy and Procedures for complete Rate Lock and Pricing Guidelines.

## 300.00 Underwriting Standards

### **Underwriting Standards**

Towne relies on its Sellers to underwrite all loans in accordance with Agency Guidelines, state and federal regulation and Towne's overlay guidelines indicated below, by product type. Agency guidelines related to origination, property evaluation, underwriting, credit analysis evaluation of assets and liabilities, documentation, fraud detection and prevention, pre and post funding quality control, property insurance, mortgage insurance, closing, requirements and other important matters may be found at:

#### **Conventional:**

[www.fanniemae.com](http://www.fanniemae.com)

[www.freddiemac.com](http://www.freddiemac.com)

#### **FHA:**

[www.hud.gov](http://www.hud.gov)

#### **RD:**

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

#### **VA:**

[http://benefits.va.gov/warms/pam26\\_7.asp](http://benefits.va.gov/warms/pam26_7.asp)



## 400.00 All Products

Products: Please refer to all available product sheets Towne overlays as identified above (and/or as located on <https://tpo.townemortgage.com>) for any additional requirements to product/Agency Guidelines. Where the overlays or products sheets are silent, Agency Guidelines apply.

### **401.00 Property**

#### **LLC's as Sellers:**

Following documentation is required when seller is a LLC:

- Evidence of authorized signers
- Must meet all agency/product guidelines

#### **Loans Currently in Redemption on Purchases:**

Towne will accept loans where property is currently in redemption as long as the title insurer will add the full language in its commitment to evidence a specific exception for the unexpired right of redemption.

Title insurer will affirmatively insure the mortgage against all loss arising out of the exercise of any outstanding right of redemption; without qualification.

#### **Manufactured Housing:**

- Allowed for all products, see product specific guidelines and manufactured housing guidelines for additional information.
- "Manufactured Home Mortgage Loans" (i) conform with the applicable Agency Guidelines; (ii) the related manufactured dwelling is permanently affixed to the land; (iii) the related manufactured dwelling and the related land are subject to a properly recorded Mortgage; (iv) are compliant with federal, state and local laws and under said laws, the dwelling is considered to be a part of the real property on which such dwelling is located; and (v) such Manufactured Home Mortgage Loans are a qualified mortgage under Section 860G(a)(3) of the U.S. Code; and (x) secured by manufactured housing treated as a single family residence under Section 25(e)(10) of the U. S. Code.

#### **Condition of Property:**

- Towne will not purchase loans if the property condition is rated as C6
- C5 only acceptable if appraisal is done subject to repairs and escrow and funds are held for the repairs. (must refer to Towne Repair Escrow Policy)
- SSR OVF flag acceptable documentation to be provided to be supported acceptance of value.

#### **Ineligible Property Types:**

- Co-operatives
- Earth Homes, Geothermal, geodesic domes or homes built into or underground either fully or partially
- Leaseholds
- Commercial properties
- Properties in which the highest and best use is not considered residential

## **402.00 Miscellaneous**

### **Net Tangible Benefit:**

For any refinance transaction, our policy is that the borrower receives a net tangible benefit. Simply put, the benefit of doing the transaction outweighs any costs associated with the loan. A net tangible benefit may be in the form of comparing the COST of doing the loan against the benefit of: a reduced interest rate, a reduced monthly mortgage premium, a shorter term, going from an ARM to a fixed rate or in the instance of a cash out refinance determining if the borrower could raise the same amount of money elsewhere at a much lower cost.

Net tangible benefit disclosures mandated by any city, state or federal regulation and/or any agency guidelines are required.

### **Mortgage Insurance:**

- Only Borrower Paid Monthly, Single Premium Borrower Paid and Single Premium Lender Paid Allowed.
- Approved MI companies are: ARCH, Essent Guarantee, Genworth, MGIC, National MI, Radian and United Guarantee.

### **Escrow Waiver:**

- Conventional loans only
- Max 80% LTV
- Must underwrite and approve in accordance to agency guides and document justification for approval of escrow waiver.

### **Buy Downs:**

- Not Allowed

### **Minimum Loan Size:**

- \$50,000
- \$30,000 for USDA only

### **Maximum # of Loans to 1 Borrower (sold to ACH):**

- Maximum of 4 loans with a max cumulative dollar amount of \$1,500,000

### **Maximum Loan Amount:**

Max Loan amount for Conventional, FHA, VA and RD is per agency guidelines. For VA Loans, the VA guaranty plus cash/equity must be greater than or equal to 25% of the purchase price or Notification of Value (NOV), whichever less, on all purchase and non-IRRRL refinances.

### **Documentation:**

Fraud Detection Tool (such as Fraudguard, DataVerify, etc.), must include Liens and Judgement Search, Bankruptcy Search, Ownership & Occupancy, and Associated Business Search (needed for Freddie loans), evidence of Credit Monitoring and all Federal, State Agency and local Compliance/High Cost tests, and Industry Exclusionary lists, including LDP/GSA as applicable, are required to be delivered in Loan Package.

### **Closing in a Trust:**

Trust Cert and Attorney Opinion Letter required.

### **500.00 Repair Escrow Policy**

Towne Mortgage Company will permit escrow holdback accounts established by the Seller for postponed improvements providing they comply with the appropriate Agency guidelines.

If the Seller establishes an escrow holdback for completion of improvements or repairs, the Seller warrants these improvements or repairs will be completed within the time period required by the applicable agency and to an acceptable quality, regardless of any actions taken or not taken by the property seller, the Borrower or any other party in the transaction. Breach of this warranty will require the Seller to repurchase the Loan in accordance with the procedures described in either the Correspondent Lending Purchase Agreement or within this Delegated Correspondent Seller Guide.

It will be the Seller's responsibility to monitor and disburse the funds in escrow holdback account and provide Towne Mortgage Company with a clear final inspection that indicates all escrowed improvements have been completed and a final title update evidencing no impairments to title of the subject property. Towne Mortgage Company will leave the escrow holdback funds with the Seller at time of Loan Funding.

Should Seller wish to have Towne Mortgage Company hold and disburse the escrowed funds, additional restrictions and an administration fee will apply. See the TFOC Escrow Holdback Policy for details.

## **600.00 Closed Loan Delivery – Lock of Loans**

Seller must refer to product guide and/or bulletin and announcements (<https://tpo.townemortgage.com>) for complete eligibility and guidelines\*

### **601.00 Closed Loan Documentation Standards**

- Accepted secondary market loan documentation standards should be followed
- Erasures, correction fluid, and strikeovers on the Note, Security Instrument and Riders are not acceptable.
- All borrowers must initial any corrections made
- The borrower's name must agree with signatures and/or other appearances of typed or signed name on the application, sales contract and security instrument.
- Loans must be closed on a MERS Mortgage, unless otherwise allowed by Towne.
- Loans must be delivered evidencing that loan was tested for QM Points/Fees, HPCT, HPML, HOEPA, Fannie/Freddie High cost and any other high cost test required per federal, state or local regulations
- QM Income Calculation worksheets as well as QM closing worksheets must be in submitted with each file

### **602.00 Delivering of Loans**

**Original Note:** All original notes must be properly endorsed or include a properly endorsed original allonge and be delivered to Deutsche Bank National Trust Company, 1761 East St. Andrew Place, Santa Ana, CA 92705 to the Attention of: **Towne Mortgage Correspondent**.

**Credit and Closing Package:** A copy of the Note, Underwriting File and Closing File must be ELECTRONICALLY delivered to the Towne Loan Origination system. In addition, the 1003 information on Towne's system must match how the loan was closed. This can be accomplished by simply importing the Fannie Mae 3.2 files into Towne's system.

**Funding of Loans:** Loans must be ready to fund by 9:30 AM EST; otherwise, funding will not take place until next business day.

**Fees:** Standard fees [are](#) as follows:

- Delivery Fee: \$300
- Additional Renovation Product Delivery Fee \$295
- Tax Service Fee: \$75

Other fees may apply from time to time and fees are subject to change at any time at Towne's discretion. Notice will be given prior to the purchase of any loan of any loan fee charges apply outside of the standard fee.

**Mortgagee Clause; Endorsements:** The mortgagee clause of each insurance policy must be properly endorsed, necessary notices of transfer must be given, and any other necessary action must be taken as reasonably requested by Seller in order to protect the interest of Towne as first mortgagee under the terms of the policy. The Mortgagee Clause should read as follows:

**Towne Mortgage Company**  
**ISAOA, ATIMA**  
**P.O. BOX 7063**  
**Troy, MI 48007-7063**

**Attn: Insurance Department [Insert Loan Number]**

It is the Seller's responsibility to notify the insurance agent(s) of the change in servicer. If the change is not made prior to purchase, the correspondent must notify the insurer of the change in servicer within 5 calendar days of purchase. **Seller is responsible for any and all losses incurred due to failure to provide insurer with new servicer information.**

**Endorsement:** The note is to be endorsed as follows:

Pay to the order of "Towne Mortgage Company"

Without recourse

this \_\_\_\_ day of \_\_\_\_\_ 20\_\_

\_\_\_\_\_

Name:

Title:

**Current Payment History:** Loans purchased after the first payment due date must have the current payment history and any servicing notes provided with the loan.

**Contact Information and Warehouse Information:** To ensure that purchase funds are wired to the correct institution, Seller must provide accurate wiring information to Towne. Any changes and/or deletions to previously provided wire instructions must be submitted to Towne immediately. Seller must also submit a list of their employee contacts for rate locks, underwriting, closing, post-closing, funding and final documents. Include phone numbers, faxes (if applicable) and email for all contact information. Please email the contact sheet to [support@townemortgage.com](mailto:support@townemortgage.com).

**Third Party Originations:** Towne does not accept third party originated loans without specific prior written approval for TPO. Without prior written TPO approval, all loans must be originated by Seller.

**IRS Form 1098:** The Seller is responsible for compliance with any IRS Form 1098 reporting requirements for any interest collected prior Towne's purchase of the loan

**First Pay Due Dates:** Mortgage loan payments are due to Towne on the first day of the month.

**Interim Interest Credit:** Interest credit can only be given up through the 5th day of the month.

**Goodbye Letter:** *Towne recommends **not** providing the Goodbye Letter to the borrower until 24-hours after the loan is purchased.*

Towne cannot process payments sent to us before the loan is set up on our servicing system, which may cause returned payments and thus creating additional customer service issues for the borrower(s).

When preparing the goodbye letter please ensure that:

1. It contains the address you provided to the borrower at closing for sending payments to YOU, along with your toll free telephone number.
2. It must contain the date the last payment is due to Seller, as well as the date the first payment is due to Towne.
4. It is either prepared on Seller's letterhead or on the model form as provided by the Consumer Financial Protection Bureau
5. Has appropriate language as required by RESPA describing a transfer

## **603.00 Purchase Dates**

Towne will send the Seller a purchase advice via email **or notification the purchase advice is uploaded within Towne's LOS** indicating that the loan has been purchased.

Servicing Released Loans wired on or after the 15th day of the month will have an effective transfer of servicing date as the 1st day of the 2nd month following the month in which the Loan is wired. Therefore, if a Loan has a scheduled payment on any date prior to the effective date of the transfer of servicing following the Wire Date, then that principal portion of such payment will be projected from the remaining principal balance. For example, if the first payment due date on the note is August 1 and the loan is purchased July 15, the first payment due to Towne will be September 1.

Towne will pay interest on Loans from the interest-paid-through date up to, but not including the Wire Date. If the Loan has been amortized, Towne will deduct from the proceeds, interest from the Wire Date through the interest-paid-through date. If the Loan has a scheduled payment on any date prior to the effective date of the transfer of servicing following the Wire Date, that principal portion will be deducted from the remaining principal balance at Funding. Interest will be calculated using a 12 month schedule of 30 days each. Towne will deduct the monthly taxes and insurance payment accordingly.

*For example:*

Original Loan Amount:	\$60,000
Interest Rate:	12%
Loan Term:	360 months
P & I	\$617.70
1st pay due date:	August 1
Purchase date:	August 20

*Calculation of the Payment Adjustment:*

\$60,000 loan amount \* 12% = \$7,200/360 days = \$20.00 daily interest

\$20.00 X 30 days = \$600.00 in interest

\$617.70 (P & I) minus \$600.00(Interest) = \$17.70 (the amount that goes to principal)

\$60,000 loan amount - \$17.70 = \$59,982.30 (adjusted principal balance)

\$59,982.30 will be the adjusted current balance of the loan reduced by one principal payment.

## **604.00 General Information**

**Calculating Interest:** For purposes of calculating per diem interest, a 365 day calendar year used.

**Pre and Post Purchase Reviews:** Towne will perform reviews on loans delivered for purchase. These reviews can be pre-purchase (done **before** a decision to purchase the loan is made) or post-purchase (done **after** the loan is purchased). The review selection is weighted to loans identified as having higher risk characteristics. The review may also include, reviewing the data entered into the appropriate Automated Underwriting System (AUS) as part of our loan review due diligence.

Any review performed either pre or post purchase by Towne does not relieve the Seller of any loan level reps and warranties. Towne reserves the right to require remedy, including repurchase, should deficiencies be identified at a later date.

With respect to these reviews, Towne reserves the right to reject any loan for purchase or demand repurchase, as applicable, if Towne determines that the loan is not of investment quality or does not otherwise conform to the requirements of Correspondent Lending.

**Surveys:** A current survey is not required for purchase or refinance loans when the title policy does not take exception to survey related matters.

**Tax Certification Form:**

- For new construction, taxes need to be escrowed based on the improved property value used for qualifying the borrower or a payment shock letter must be provided in the closing package.
- For Existing properties taxes need to be escrowed based on the next estimate tax amount due as provided by the title company.
- A fully completed Tax Certification Form must be in each file and must be signed by the settlement agent.
- Any taxes due must be paid to ensure the first lien position for the new loan. Sellers are responsible for all taxes with due dates, discount dates or penalty dates prior to the loan purchase by Towne and/or within 45 days after the purchase date. Proof of payment must be provided with the loan submission unless funds are being held by the settlement agent for properties where tax bills are unavailable; post funding proof of payment will be required for those transactions.
- If the due date, discount date or penalty date is more than 45 days after the loan purchase Towne will be responsible for the payment of the taxes unless funds are being held by the settlement agent.

**Itemization of Amount Financed:** All Closing Packages must contain an Itemization of Amount Financed. Any credits NOT identified on the CD or on an addendum to the CD signed by borrower, seller and title agent will be applied towards NON-PREPAID items first to determine APR compliance.

**Funding Requirements:**

- Funding will be made by wire transfer
- Complete wiring instructions must be included in loan file
- Wiring instructions must be typed or computer generated. *Handwritten wire instructions will not be accepted*
- All Correspondent loan closings will be charged the Fees provided for in Section 602.00 above.

**Ability to Repay and Qualified Mortgage:**

- Towne only purchases loans that comply with the ATR/QM requirements
- Sellers are responsible for providing evidence of compliance with ATR/QM rules

**AUS Findings:**

- All conventional and Government loans must have automated approvals from Desktop Underwriter (DU), Loan Prospector (LP) or GUS. Manual underwriting is only permitted when indicated in the product manual. In all situations, the AUS findings must be in the Seller's name (or Towne's name)
- The data submitted to the AUS system must reflect the loan as it was closed including occupancy type, product type, amortization, loan term, property type, loan purpose, sale price, interest rate and appraised value. The terms of the closed loan package must match the terms of the final loan casefile submission in DU, LP or GUS.
  - For USDA loans, the interest rate and loan amount for the closed loan must be equal to or lower than the interest rate and loan amount on the GUS findings and USDA Conditional Commitment (RD3555-18).

**605.00 Final Documents**

All trailing documents (Final Title Policy, Deed of Trust/Mortgage and Interim Assignment) must be delivered to Towne within 120-days from the date of purchase.

Towne will attempt to procure any post-closing loan documents (including title policies, mortgages, and assignments) not received within 120-days from the date of loan purchase by Towne. If a document is not on record with the county or title company, the Seller shall be obligated to assist Towne in locating the document. For aged documents, over 120-days, Sellers are billed for the outsourced procurement fees. All fees associated with procuring these documents, including any out-of-pocket, third-party fees such as title

premiums and recording fees, will be charged to the Seller. All fees assessed for procuring outstanding documents will be invoiced as a monthly statement.

Fees associated with the document procurement process are:

- \$100.00 per title policy
- \$75.00 per recorded document, such as mortgages and assignments

Efforts by Towne to obtain outstanding documents does not relieve Sellers of their obligation under this Seller Guide to provide documents to Towne. Further, any actions taken by Towne to procure outstanding documents, and any fees paid by the Seller to Towne in connection with such efforts, shall not release the Seller from its repurchase and indemnification obligations under the Correspondent Loan Purchase Agreement and this Seller Guide for failing to deliver such documents.



## **700.00 Insurance Information**

### **701.00 Government Insured Loans**

Seller is responsible for ensuring all loans are insured within 60-days from consummation of the loan.

#### **FHA – Mortgage Insurance Certificate (MIC)**

The upfront Mortgage Insurance Premium (MIP) must be paid by the Seller. In cases where the Mortgage Insurance Premium is paid on a monthly basis, an escrow account must be established at Closing.

Towne will net fund all monthly FHA Mortgage Insurance Premiums on amortized Loans. Towne will collect escrowed funds and remit these payments to HUD on the Seller's behalf. Any penalties or interest charges incurred as a result of non-payment, or untimely payment, of a Mortgage Insurance Premium are the responsibility of the Seller. If two or more payments have come due at the time Towne purchases the Loan, the Seller is responsible for all Mortgage Insurance Premium payments to HUD on all payments they collect. Mortgage Insurance Premium payments remitted by the Seller to HUD must be documented in the Closed Loan File with a current pay history.

#### **VA – Loan Guaranty Certificate (LGC)**

Loan Guaranty Certificate must contain:

- Spelling of Borrower's name matching the Note
- 25% guaranty
- Loan amount matching the Note

#### **USDA – Loan Note Guarantee (LNG)**

To ensure Towne can remit the annual fee amount in full to Rural Development when due, Towne will require the following for all USDA Guaranteed Rural Housing (GRH) Loans subject to an annual fee:

- 1/12 of the total annual fee amount to be collected as part of each monthly payment and placed in an escrow account (this cannot be waived)

Towne will net fund all monthly Rural Development annual fee payments on amortized loans. Towne will collect escrowed funds and remit the annual fee to Rural Development on the Seller's behalf.

Loan Note Guarantee must contain:

- Correct Borrower's name
- Correct property state
- Loan amount must match the loan amount on the Note
- Signed and dated by an authorized signatory of the Agency
  - System generated Loan Note Guarantees (RD3555-17E) must be executed reflecting the typed name of the Rural Housing Service official issuing the Loan Note Guarantee and date issued by the system.

## **702.00 Flood Certification/Flood Insurance**

- Sellers must obtain an initial flood determination from a third party vendor for every loan submitted for purchase.
- Loans where the subject property is located in flood zones A or V must have flood insurance coverage when submitted for purchase
- When Flood Insurance is required, it must be escrowed regardless of whether escrow is eligible to be waived for other escrowed items (voluntary flood insurance cannot be escrowed).
- A copy of the application/policy and proof of payment (paid receipt or other evidence of payment) for the first year premium is required. If refinance, the policy must evidence a minimum 60 days remaining on policy at time of purchase; otherwise they must be paid and evidence of payment must be included in package
- Towne will not purchase any loan where the subject property is located in a flood zone that requires flood insurance, and insurance is NOT available due to non-participating community, the suspended status of the community or lack of available private insurers.
- The insurance company must be acceptable to Fannie Mae/Freddie Mac, FHA, VA or RD
- Sufficient prepaid escrow must be collected to ensure the renewal premium be paid when due if escrows are established.
- **Dwelling Coverage:** Minimum coverage is the **lessor** of:
  - 100% of the Insurable Value of Improvements as determined by the amount of insurance listed on the hazard policy (includes master hazard for condos) for dwelling coverage; or
  - The NFIP maximum for the particular type of building: (1) Single Family 1-4 Unit = \$250,000; or (2) attached Condos and PUDs with master insurance policies = \$250k multiplied by number of units in the building.
- **Outbuildings:** Flood insurance is not required on any structure that (1) is part of a residential property, (2) is detached from the primary residential structure, **and** (3) does not serve as a residence.
- **Deductible:** The maximum deductible for flood insurance is determined by the National Flood Insurance Program (NFIP) and applicable Agency.
- **Acceptable Flood Insurance Policies:**
  - Flood insurance should be under a standard policy issued under NFIP (National Flood Insurance Program) A SFIP (Standard Flood Insurance Policy) policy written by one of the approved Write Your Own property and casualty insurance companies. Company lists can be found at: [https://www.fema.gov/wyo\\_company](https://www.fema.gov/wyo_company)
  - A private insurance policy based on the following requirements:
    - Insurance company must meet licensure requirements
    - Coverage must be at least as broad as NFIP, evidenced by a letter from the insurance company stating that the coverage is “at least as broad” as the coverage of an NFIP policy.
    - The policy must include 45-day cancellation/nonrenewal notice, information about NFIP coverage, mortgage interest clause similar to FEMA’s Standard Flood Insurance Policy (SFIP), 1-year legal recourse Clause, and cancellation provisions as restrictive as SFIP.
- **Other Requirements**
  - Flood zone must be identified on the Insurance Policy and must match the Flood Certificate
  - Borrower name is correctly reflected
  - Property address matches USPS, Appraisal and System
  - Policy number is shown
  - Correct Loan Number is shown
  - Correct Mortgagee Clause
  - Effective date is closing date (can be a few days prior)
  - Expiration date – 1 year policy paid needed (refinances need 60 days coverage at closing)
  - Premium – does not exceed amount used to qualify borrower
  - Paid receipt or evidence of payment at closing (evidence of policy being paid is also needed for refinances)
  - For Flood Insurance ONLY - Can have the application rather than policy/dec page

### **703.00 Hazard Insurance**

- A copy of the hazard policy and proof of payment (paid receipt or paid at closing and reflected on the Closing Disclosure) reflecting the first year premium is required. If refinance, the policy must evidence a minimum 60 days remaining on policy at time of purchase; otherwise they must be paid and evidence of payment must be included in package
- The insurance company must be acceptable to Fannie Mae/Freddie Mac, FHA, VA or RD
- Sufficient prepaid escrow must be collected to ensure the renewal premium be paid when due if escrows are established.
- **Purchase** - All purchase transactions require a one-year homeowner's policy. Homeowners policy must at least cover the mortgage amount or 100% replacement cost.
- **Refinance** - Towne requires that borrowers have at least 60 days remaining on the current policy as of the closing date. If less than 60 days remain, the borrower must prepay at least enough to meet the 60-day requirement.
- All borrowers on the loan must be listed on policy.
- Must be a full Homeowners policy/Declaration page (applications, binders, or quotes are not accepted)
- The policy must contain the proper deductible for the program
- **Conventional:** Mortgage deductible cannot exceed 5% of the face amount of insurance policy or \$5000.
- **Condominiums:** Unless the master hazard includes "walls-in" coverage, minimum amount of "walls-in" (HO-6) coverage will be the lesser of 20% OR maximum allowed by the insurer. A letter from the insurer confirming the maximum amount allowed will be required if the HO-6 coverage falls below the 20% guideline.
- All individual insurance policies contain a standard mortgagee clause naming Seller and its successors and assigns as mortgagee, and all premiums thereon have been paid and such policies may not be reduced, terminated or cancelled without 30 days' prior written notice to the mortgagee. The Mortgage 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, authorizes the holder of the Mortgage to obtain and maintain such insurance at such Mortgagor's cost and expense, and to seek reimbursement therefor from the Mortgagor.

### **704.00 Private Mortgage Insurance**

- Borrower Paid Monthly, Borrower Paid Single Premium and Lender Paid Single Premium Private Mortgage Insurance are acceptable
- Sellers may use ARCH, Essent Guarantee, Genworth, MGIC, National MI, Radian and United Guarantee as their Private Mortgage Insurance Carriers
- A copy of the Loan Sale Notice must be in the file. The Seller is responsible for activating the Private Mortgage Insurance Certification, paying any premiums and notifying the mortgage insurance company when the loan is sold
- Evidence of payment to Insurer for Single Premium and Lender Paid Insurance is required to be included in file

## **800.00 Delivery Checklist and Stacking Order**

For a comprehensive checklist of required documents and the appropriate stacking order for submission, please reference the Delivery Checklist and Stacking Order located on <https://tpo.townemortgage.com>.

## **900.00 Process Flow – Closed Loan Submission Procedures**

For a step-by-step process for submitting closed loans to Towne, please reference the Closed Loan Submission Procedures located on <https://tpo.townemortgage.com>.

**1000.00 Towne Contact Information**

For a comprehensive list of departments, contact information and other information related to doing business with Towne, please reference the Towne Contact information sheet located on <https://tpo.townemortgage.com>

<p><b><u>Original Note Delivery:</u></b> Deutsche Bank National Trust Company 1761 East. St. Andrew Place Santa Ana, CA 92705 Attn: Towne Mortgage Correspondent</p>	<p><b><u>Loan Insuring:</u></b> Towne Mortgage Company 2170 E. Big Beaver Road, Suite A Troy, MI 48083 Attn: Insurance Dept</p>
<p><b><u>Final Docs:</u></b> Towne Mortgage Company 2170 E. Big Beaver Road, Suite A Troy, MI 48083</p>	<p><b><u>Goodbye Letters should contain:</u></b> Towne Mortgage Company PO Box 7054 Troy, MI 48007 Troy, MI 48007-7054 Customer Service Phone Number: 800-979-9977  Hours: 7am - 9pm EST Monday thru Friday 8am - 1pm EST Saturday. Closed Sunday</p>
<p><b><u>Payments and Tax Notices:</u></b> Towne Mortgage Company PO Box 7054 Troy, MI 48007 800-979-9977 is our toll free servicing number</p>	<p><b>FHA ID for Transfer:</b> 217990 <b>MERS Org ID number for Transfer:</b> 1000637 <b>RD Lender Tax ID:</b> 38-2434249</p>
<p><b><u>Hazard/Flood Insurance Clause:</u></b> Towne Mortgage Company, ISAOA, ATIMA P.O. BOX 7063 Troy, MI 48007-7063 Attn: Insurance Dept</p>	

**Disclaimer**

**Assignment of Loan Acquisition**

Seller is hereby notified that all the rights and obligations of Towne with respect to the mortgage loan that is the subject of this document may be assigned in whole or in part to a third party without further notice to Seller.