Table of Contents

Table of Contents ........................................................................................................... 1
Employee Policy Acknowledgement ................................................................................. 1
Loan Originator Duties ...................................................................................................... 2
  Licensing and Professional Education Requirements (SAFE Act) ..................................... 3
  Compensation .................................................................................................................. 5
  Creditor vs. Originator .................................................................................................... 5
  Base Commission Schedule ............................................................................................ 5
  Dual Compensation ......................................................................................................... 5
  Avoiding “Steering” ........................................................................................................ 6
Acts that May Void Incentive Payments ............................................................................ 7
  Completing Good Faith Estimates .................................................................................. 7
  Accurate Lock-ins .......................................................................................................... 7
Compensation Policy and Procedure ................................................................................... 8
  Compensation Policy – Consumer Paid Fees ..................................................................... 9
  Process - Consumer Paid or Lender Paid ........................................................................ 9
  Consumer May NOT Pay Employee Directly ................................................................... 9
Compensation Plans ........................................................................................................... 10
  Consumer/Creditor Paid Compensation Plan – Brokers or Creditors ................................. 10
  Investor/Wholesaler (Creditor) Paid Compensation – for Brokers .................................... 11
  Table of Creditors .......................................................................................................... 11
  Exception to Compensation Grid (Safe Harbor) .............................................................. 11
Safe Harbor – Consumer Chooses Product which results in Higher Compensation ............. 12
  Customer’s Best Interest Worksheet (Anti-Steering Safe Harbor) .................................... 13
  Performance Reviews ..................................................................................................... 15
  Company Name’s Policy on Loan Size Price Adjustments – Tiered Pricing ...................... 15
  Individual and Spousal Loans ......................................................................................... 15
  Time Keeping Policy ...................................................................................................... 16
Employment Status Policy ................................................................................................. 17
Secondary Marketing ........................................................................................................... 19
  Pricing and Risk Management Strategies ........................................................................ 20
    Marketing Risk .............................................................................................................. 20
    Hedging Strategies ....................................................................................................... 20
    Current Pricing Process ............................................................................................... 21
Lock-in Policy ..................................................................................................................... 22
Lock Term Policy ................................................................................................................. 23
  Exceptions to Lock-in Policies ....................................................................................... 23
  Lock-In of Pre-Qualifications ........................................................................................ 23
  Additional Pipeline Management Time Frames ............................................................ 24
  Pipeline Management Reports ....................................................................................... 24
Expired Lock-ins ................................................................................................................ 25
  Re-Locking Expired Lock-ins ........................................................................................ 25
  Lock-ins On Denied Loans ............................................................................................. 25
“Playing the Market” is Prohibited ................................................................................ 25
Lock-In Process ................................................................................................................ 26
Secondary Marketing – Confirmation of Lock-in ............................................................... 26
Monitoring Final Pricing ................................................................................................. 27
E-Mailing Secondary Marketing .................................................................................... 27
Lock-ins With CRA Credit .............................................................................................. 27
Ineligible Products ............................................................................................................. 28
  Planned Refinance Loans .............................................................................................. 28
<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reports</td>
<td>54</td>
</tr>
<tr>
<td>Repurchase Request Procedures</td>
<td>42</td>
</tr>
<tr>
<td>Secondary Marketing Loss Mitigation</td>
<td>41</td>
</tr>
<tr>
<td>Pricing - Loan Eligibility</td>
<td>31</td>
</tr>
<tr>
<td>Outside Investors</td>
<td>33</td>
</tr>
<tr>
<td>Secondary Forms and Reports</td>
<td>37</td>
</tr>
<tr>
<td>Secondary Marketing Quality Control</td>
<td>39</td>
</tr>
<tr>
<td>Secondary Marketing Loss Mitigation</td>
<td>41</td>
</tr>
<tr>
<td>Repurchase Request Procedures</td>
<td>42</td>
</tr>
<tr>
<td>Alternative Resolution</td>
<td>48</td>
</tr>
<tr>
<td>Reports</td>
<td>54</td>
</tr>
</tbody>
</table>
Employee Policy Acknowledgement

I have read the secondary marketing policy and procedures manual of Company Name and I fully understand the policies.

By:

(Signature)

(Retain in employee file)
Loan Originator Duties

Title - Mortgage Banker, Loan Officer, Loan Originator

Duties and Responsibilities

The Loan Officer is the primary company representative to real estate community. Objective is to develop referral relationships among the professional community including realtors, homebuilders, accountants, attorneys, home improvement contractors, other lenders, credit unions, and community development agencies. This position facilitates individual applications, and acts as liaison between processing, underwriting, closing and the borrower. Duties and responsibilities include:

- Developing a specific client base
- Weekly distribution of rates and programs to clients
- Meet with Sales Managers, Agents to promote awareness of company products
- Prepare applicants for application by communicating company requirements prior to application interview.
- Assure complete application is submitted in compliance with company guidelines
- Correctly communicate lock-in of interest rates with borrower, company and investor/secondary marketing
- Perform weekly status checks on all cases in process and report progress to all interested parties
- Continuously update program specifications to maintain guidelines as current
- Participate in coordinating closings/settlements with borrowers/agents/title-escrow companies

Pre-requisite Experience

B.A., B.S. and/or related industry experience either in financial sales or real estate. Loan Origination is an intensive, competitive, direct customer contact related field. Good organizational and communication skills are required. The first 6 months to 2 years require a large commitment to attracting and maintaining a customer base. Markets vary, but there are generally numerous competing lenders within any area. Loan Originators should be able to manage intense competition for business as well as the cyclical nature of seasonal business and interest rate fluctuations.
Licensing and Professional Education Requirements (SAFE Act)

In conformance with the Housing and Economic Recovery Act (HERA) of 2008 which authorized the Secure and Fair Enforcement of Mortgage Licensing Act (SAFE) Company Name requires that all mortgage loan originators comply with licensing or registry issue requirements.

Loan originators may be hired subject to obtaining appropriate licensing. Company Name acts as a “sponsor” for the originator. In this circumstance, the loan originator is not allowed to interact with the borrowing public but is employed on an interim basis pending receipt of the license or registration confirmation.

During this period time the mortgage originator may perform the following functions

- Assistance with direct mail marketing
- Processing mortgage applications of other loan originators
- Market analysis for professional third party sources of business such as real estate agents, homebuilders, certified public accountants and other intermediary sources of business
- Clerical duties such as answering phones, file copying, distribution of internal communications.

If the new employee is not registered or licensed at the time of employment, he or she must provide a copy of his or her registration on the Nationwide Mortgage Licensing System (NMLS) Registry. At this time, the employee may affiliate with Company Name. Company Name will confirm affiliation. Employment is conditional upon satisfactory registration (after April, 2011) or licensing.

If required to be licensed (State Regulated or Affiliate/Subsidiary of Federal Supervised Institution):

- Register to take the National and State Examinations through NMLS
- Obtain fingerprint and background check
- Pass the National and State Examinations
- Take a NMLS approved 20 hour (or appropriate amount for the state) Pre-Licensing Education course
- Pay all applicable licensing and examination fees
- Upon receipt of license and confirmation in NMLS, the originator will be given business cards and is free to contact customers in fulfillment of prescribed originator duties.

If required to be registered (Federally Supervised Lender)

- Register with NMLS
- Obtain fingerprint and background checks
## Compensation Plans

### Consumer/Creditor Paid Compensation Plan – Brokers or Creditors

#### Consumer Paid Model

**Applies to:**
- (Check One)
- Individual Originator
- Individual Manager (Personal Production)
- Branch (Specify ________)
- Area Wide (Specify ________)
- Regional (Specify ________)
- National

**Consumer Pays to Company Name**

- _____ % of Loan Amount with limits
- $_________ Maximum Fee
- $_________ Minimum Fee

**Originator receives**

- _____ % of the loan amount with limits
- $__________ Maximum Loan
- $__________ Minimum Loan

**Broker/Owner**

- Plus 100% of Net Profits

**Production Manager**

- Personal Production Plus _____% of Branch/Area production volume

#### Creditor Paid Compensation

**Basic Compensation Structure From Lender**

- Individual Originator
- Individual Manager (Personal Production)
- Branch (Specify ________)
- Area Wide (Specify ________)
- Regional (Specify ________)
- National

**See Table of Creditor Paid Compensation:**

- Loan Originator or Manager (Employee) is paid
- _____% of the fee

**Production Manager**

- Personal Production plus _____% of the branch fees

**Broker Owner**

- Personal Production plus 100% of Net Profits

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"(ii) For purposes of this paragraph (d)(1), the amount of credit extended is not deemed to be a transaction term or condition, provided compensation received by or paid to a loan originator, directly or indirectly, is based on a fixed percentage of the amount of credit extended; however, such compensation may be subject to a minimum or maximum dollar amount."

"1. Compensation in connection with a particular transaction. Under § 226.36(d)(2), if any loan originator receives compensation directly from a consumer in a transaction, no other person may provide any compensation to a loan originator, directly or indirectly, in connection with that particular credit transaction. See comment 36(d)(1)-7 discussing compensation received directly from the consumer. The restrictions imposed under § 226.36(d)(2) relate only to payments, such as commissions, that are specific to, and paid solely in connection with, the transaction in which the consumer has paid compensation directly to a loan originator. Thus, payments by a mortgage broker company to an employee in the form of a salary or hourly wage, which is not tied to a specific transaction, do not violate § 226.36(d)(2) even if the consumer directly pays a loan originator a fee in connection with a specific credit transaction. However, if any loan originator receives compensation directly from the consumer in connection with a specific credit transaction, neither the mortgage broker company nor an employee of the mortgage broker company can receive compensation from the creditor in connection with that particular credit transaction."
Pricing and Risk Management Strategies

Company Name uses a number of strategies to manage pricing risk.

- Marketing Risk (Hedging)
- Delivery Risk
- Post Purchase Risk and Loss Mitigation

Marketing Risk

We define marketing risk as the potential for financial loss due to changes in the value of the loans we make which are intended for sale in the secondary market, or held for yield in a portfolio. In order to offset these risks we utilize different risk mitigation strategies which are commonly referred to as “hedging”.

Hedging Strategies

- Whole Loan/Flow Sales – With a whole loan forward commitment, secondary marketing locks the loan in with a third party institutional investor. We record these mandatory delivery contract terms in our internal pricing records. We reflect the net rate commitment expiration date on our internal pricing confirmation communication, after subtracting 10 business days (subject to marketing conditions) so that production has a deadline for loan delivery. Upon loan closing, secondary marketing has 10 days to deliver the closed loan package to the investor for purchase.

- Best Efforts – We use this correspondent lending approach in the portion of our production we hedge directly with individual investors. With this strategy we recognize the benefit of no direct “pair-off” penalty. However, we must exercise more diligence in underwriting these loans to meet the investor’s specific requirement. If the individual loan cannot be approved, we must arrange another Best Efforts commitment to meet our interest rate guaranty to the customer.

- Pipeline Hedging – Also known as a “TBA” (where the ultimate investor is yet to be assigned), we hedge a portion of our pipeline for which we cannot use a whole loan strategy. This is the case with some of the secondary market investors we deliver loans to, or with loans which are to be aggregated into loan pools for sales as securities. In this instance we purchase price insurance through various put and call securities options to match the relative interest rate profile of our pipeline. In this way, while the market may fluctuate up or down, we can offset any loan or security sale losses.
**Changes Requiring Secondary Approval**

Certain changes must be approved and acknowledged by Secondary Marketing:

- Extensions
- Product Change
- Investor change
- Rate change
- Renegotiation
- Service Retained
- Adding or deleting CRA Credit
- Pricing Shortfall or Underwriting Exception Approved by Manager

**Substitutions Not Allowed**

Locks are borrower, loan number, and property specific. No substitutions are allowed. If the borrower finds a new property, a new loan number must be issued and the loan must be locked as a new loan. Changes of address will generally be considered as substitutions, but unusual situations will be considered on a case-by-case basis. Investor rules and resultant fees will apply for investor conduit loans.

For assistance with program guidelines, please refer to the mortgage intranet, your processor or underwriter.
Operational risk data, which support the Basel II capital initiative, show that the second most prominent cause of losses are due to breakdowns in execution, delivery, and process management. Organizations who wish to mitigate these types of risk often use design review, quality management, or change control processes to identify potential sources of risk early in the design and implementation process.

Quality control is generally less expensive to design into a new process than correcting an error or rebuilding the system after a problem has occurred. While the old saying of total quality control management that "quality is free" may not literally be true in all cases, most organizations have learned that designing quality into the process not only reduces development and operating costs, it also improves service quality and customer satisfaction.” Some of the common operational risk factors that lead to financial losses are:

• Fraud
• User error
• Misinterpretation of business logic
• Coding errors
• Systems constraints
• System glitches
• Operational constraints
• Poor execution, delivery, and process management
• Computer virus, worm, Trojan horse

These risk factors could incur losses in millions of dollars by mortgage lenders and agencies. Unlike market risk, operational risk can be managed, controlled, mitigated or in some cases eliminated. Lenders and investors need to implement constant quality control and risk monitoring techniques to ensure loans are originated according to agency guidelines. In addition to prudent underwriting practices, it’s important to ensure that loan data is properly input and passed on to downstream systems with no adverse affect on the salability of the loans in secondary markets.