

MORTGAGE ASSURANCE INC. – SELLER GUIDE

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Table of Contents

100 Operational Procedures	5
110 Contact Information	5
120 Fee Schedule and Charges	6
130 Rate Lock Guidelines	7
140 Common Closing Conditions	9
150 Selection of Closing Agents and Appraisers	10
150.01 Closing Agents	10
150.02 Appraisers	11
160 Documents Required for All Closings	12
200 Client Eligibility Criteria- Client Approval	13
200.01 Application Procedures	13
200.02 Client Approval	13
200.03 Scope of Operations	14
200.05 Quality Control Program	14
205 Guarantee or Blanket Fidelity Bond and Errors and Omissions Policy	14
205.01 Personal Guaranty for Corporate Clients	14
205.02 Blanket Fidelity Bond and Errors and Omissions Policy	14
210.01 Availability of Records	16
220 Maintaining Approved Client Status	17
220.01 Periodic Review by MAI	17
220.02 Information and Documents Required by MAI for Periodic Review	17
220.03 Notice of Change in Approved Status	17
300 Client Representations, Warranties and Covenants	18
300.01 General Information	18
300.02 Representations, Warranties and Covenants	19
300.03 Concerning Individual Mortgage Loans	25
310 Events of Default/ Remedies	36
310.01 Events of Defaults	36
310.02 Adverse Financial Condition of the Client Event of Default	37
310.03 General Events of Default	37

320 Notice; Filing an Appeal	40
330 Prohibited and Questionable Activities	41
330.01 Questionable Practices Event of Default and Remedies	42
340 Remedies	43
340.01 Non-Exclusive, Cumulative Remedies	43
340.02 Repurchase Remedy	43
340.03 Calculation of Repurchase Price	44
350 Early Payoffs and Prepayments	46
350.01 Remedies for Early Payoff of Loans	46
350.02 Review of Activities/ Remedies	46
360 General Remedies	47
360.01 General Remedies	47
370 Notification of Breach	50
380 Waiver of Defaults/Remedies	51
390 Termination	51
395 Failure to Clear Conditions	52
400 Standard Provisions	53
410.01 General .	53
410.02 Rules of Construction	58
410.03 Definitions	59
420 Borrower's Ability to Repay Requirements	61

110 Contact Information

An updated employee directory can be located on our webpage at:

[MAI Mortgage Home Page - Directory](#)

120 Fee Schedule and Charges

MAI's Fees

Lender Fee to Mortgage Assurance Inc.

PLUS

Any out of pocket third party expenses incurred while underwriting the loan.

(Examples: VOD charges, VOE charges, Additional QC charges)

ESCROWS

Escrows are required for all government loans and conventional loans with LTVs exceeding 80%. For loan products with LTVs less than or equal to 80%, escrows may be waived for an additional one-quarter discount point (.250%).

RE-DRAW OF DOCUMENTS

If the broker schedules a closing and the documents have been drawn and the closing is rescheduled, due to no fault of MAI, there will be an additional document re-draw fee of \$100.00 charged at closing.

FLOOD CERTIFICATION

MAI will order a life of loan flood certification.

SECOND MORTGAGES

The above MAI Lender Fees apply. If the second mortgage is simultaneously closed with a first mortgage, with MAI, for a purchase or rate/term, the only fee applicable is the document preparation fee.

EQUITY LINES

If the first mortgage is being done with MAI Mortgage, the only fee applicable is the document preparation. If the equity line is the only loan being done with MAI Mortgage, the above fees will apply.

130 RATE LOCK GUIDELINES

RATE SHEETS

Rate sheets will be available online and emailed to you (if you are setup to receive the rate sheets). Rates are subject to change and are good only for the price code indicated on the rate sheet. If you have questions regarding any rates or locking issues, PLEASE CALL.

HOW TO LOCK.

Rates may be locked from 9:30 AM until 5:00 PM. Locks are done online through your portal and should there be an issue please email Secondary@maibroker.com or call 888-839-0356 x 2.

LOCK EXPIRATION

All loans must close and come out of rescission by the day the lock expires. On your written lock confirmation you are instructed on what day the loan must close by in order to avoid breaking your lock.

LOCKING EXTENSIONS

Extensions can be done at any time prior to expiration at a cost of 0.125% for 7 days (does not matter if market is better or worse). The loan officer can extend as many times as needed as long as the loan does not exceed 100 days locked in our pipeline.

RE-LOCKING (EXPIRED LOCKS)

For locks expired less than or equal to 30 days from date of relock

If the loan is expired and the market is BETTER than when they originally locked, the cost is 0.125% for another 30 days.

If the loan is expired and the market is WORSE, the pricing will go to current market for another 30 days. All relocks are done for 30 days no matter how many locked days the original lock duration was. The total locked time (from the original locked date) cannot exceed 100 days locked in our pipeline, and the max number of relocks is 2.

For locks expired over 30 days from date of relock

The loan will be subject to current market.

LOCK RE-NEGOTIATIONS

Can only be made within 10 days of closing and the loan must be clear to close. Use the current 30 day pricing and then subtract .500 to determine the new price.

CHANGES TO ORIGINAL LOAN PROGRAM

Changing loan programs may cause the original lock to be void. Any change in term (30 to 15, 20 to 15, etc.) will be made according to the rate sheet from the original date the loan was locked. Changing from conventional fixed rate to fixed rate to conventional ARMs may void your lock. Each will be determined on an individual basis. Changing from Conventional to Government or vice versa requires a new loan number and a new lock request and will be looked at based on the current market.

CHANGES TO LOAN AMOUNT & INTEREST RATE

Any change to the interest rate will be made according to the rate sheet from the original date the loan was locked.

CONFIRMATION.

You will receive a written confirmation via fax or email. Review your confirmation for accuracy upon receipt. The lock confirmation will be correct and accurate unless you contact MAI Mortgage immediately upon receipt of your confirmation.

CANCELLATION.

We expect all loans that are submitted or locked to fund. Should you discover that a locked or submitted loan will not be closing, please contact us immediately.

DELIVERY RATES

All correspondents are expected to maintain a 75% delivery rate. This percentage incorporates locked loans and the number of closed loans. Clients will be evaluated every quarter and an inability to maintain a delivery rate of 75% or better can cause a cessation of business activity with that particular client.

For clarification of any of these policies please do not hesitate to contact Mortgage Assurance Inc.

140 COMMON CLOSING CONDITIONS

SURVEY

The closing attorney/title company must provide a short form lender's title policy which insures over all survey exceptions. Whether or not a survey is required will depend on your closing attorney, however, a survey is always required for properties in the state of Texas.

SEPTIC/WELL LETTER

Will be required if the subject property is not located on city water.

TERMITE LETTER

Will be required on purchase transactions. On a refinance, a letter is not required unless the appraiser notes a problem.

FLOOD CERTIFICATION

Will be required on all transactions. MAI Mortgage will order one on every file.

SECOND MORTGAGES

Title insurance will be required.

EQUITY LINES

Title insurance will be required on line amounts with a draw amount exceeding \$20,000.

THREE DAY RIGHT OF RESCISSION

All owner occupied properties will have a right of rescission.

CASH-BACK AT CLOSING

On a rate/term refinance transaction, cash to the borrower will be limited to 2% or \$2,000, whichever is less. Additionally, the maximum cash to borrower on a Refi Plus transaction is \$250. And, the maximum cash to borrower on a Texas refinance is \$0.

The maximum Lender paid yield is \$12,510. The maximum Borrower paid percentage is 2.5%

150 Selection of Closing Agents and Appraisers

150.01 Closing Agents

MAI allows Clients to select the closing agent the Client or Borrower wishes to use to conduct a loan closing. The closing agent may not be on MAI's excluded list. Please call MAI first to inquire about a particular closing agent if you are unsure whether the closing agent is excluded. Further, the closing agent must be an issuing agent for an approved Title Insurer, i.e. the closing agent must have the ability to issue a title insurance policy from his or her own office. Before any loan closing, the closing agent should provide MAI with a closing protection letter issued from an approved Title Insurer.

All Closing Agents should submit with each file, a copy of their unexpired Errors and Omissions policy, with Errors and Omissions coverage of at least \$300,000 in coverage per occurrence, and \$1,000,000 in aggregate coverage. Also, they are required to carry Fidelity coverage of at least \$1,000,000 per occurrence and \$1,000,000 in aggregate coverage.

150.02 Appraisers

Conventional appraisals must be ordered in compliance with AIR, see section 500.27 for more information.

FHA appraisals must be ordered in compliance with FHA Appraiser Independence. Please see ML 09-28 (<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/files/09-28ml.pdf>) for more information.

VA appraisals are ordered through VA TAS system.

USDA appraisals can be ordered through Mortgage Assurance Inc.'s AMCs that are set up to comply with AIR and FHA appraiser independence. However, should the appraisal not be ordered through that method, the appraiser may not be on MAI's excluded list.

MAI reserves the right to order a review appraisal of any appraiser's work. The cost of the review appraisal will be shown as a cost due MAI at the time of the related loan closing.

Please call MAI first to inquire about a particular appraiser if you are unsure whether the appraiser is excluded. Any appraiser must, for the prior 2 years, have been licensed by the State in which the subject property is located.

All appraisers to submit with each file, a copy of their unexpired Errors and Omissions policy with Errors and Omissions coverage of at least \$300,000 in coverage per occurrence and \$1,000,000 in aggregate coverage.

160 Documents Required for All Loan Submissions

With each loan submitted to MAI, Client shall complete and include with each submission the following MAI forms:

- a) Loan Submission Form
- b) Stacking Order

Current forms of the above-described documents can be retrieved from MAI's web site at www.MAI mortgage.com, or can be obtained from your account representative. Additionally, if the subject property is a condominium or an attached PUD, the Client shall also have the developer or Homeowner's Association complete MAI's Condo Questionnaire or HOA questionnaire which can also be obtained through the web site or by requesting such form from your account representative.

200 Client Eligibility Criteria/Client

Approval

The Client Eligibility Criteria Section of this Client Guide outlines the approval and eligibility criteria necessary to establish and maintain the status of an MAI approved Client.

200.01 Application Procedures

Clients who believe they meet the eligibility criteria outlined in this section may apply for approved status. MAI will furnish an application package which the Client must complete and return with the applicable documents, as outlined in the package.

200.02 Client Approval

Clients who wish to enter into a customer relationship with MAI must obtain initial approval. The approval process involves a careful analysis of each applicant's financial condition, operational scope, operational methodology, experience level, delinquency statistics, and foreclosure histories. The manner in which each Client is organized and staffed is also taken into consideration. The 3 types of Client approvals are as follows:

Conventional - Clients in this classification are approved to submit Fannie Mae and Freddie Mac Loan products which have been originated and processed in accordance with all applicable Agency and MAI guidelines.

Government - Clients in this classification are approved to submit FHA and VA Loan products which have been originated and processed in accordance with all applicable Agency and MAI guidelines.

Non-Conforming- Clients in this classification are approved to submit Non-conforming Loan products which have been originated and processed in accordance with all applicable MAI underwriting guidelines.

Each MAI approved Client is required to maintain eligibility. Eligibility maintenance criteria are found in Section 220 of this Client Guide.

200.03 Scope of Operations

Each approved Client must be engaged in, as one of its principal businesses, the origination of residential Mortgages. The management staff of each Client must possess adequate experience in their field.

200.05 Quality Control Program

Each Client must maintain an effective and thorough quality control program sufficient to accurately monitor the quality of its Loan production activities. The organization and application of the quality control program should, at a minimum, have procedures in place to re-verify the employment and income information, as shown on the borrower's loan application for each file submitted to MAI.

205 Guarantee or Blanket Fidelity Bond and Errors and Omissions Policy

205.01 Personal Guaranty for Corporate Clients

If the Client does not have a Blanket Fidelity Bond and Errors and Omissions Policy as set forth in Section 205.02 below, and Client is a corporation, MAI will accept the personal guaranty, in the form prescribed by MAI, of the majority shareholder of the Client. Full exceptions can be applied for.

205.02 Blanket Fidelity Bond and Errors and Omissions Policy

Each approved Client, if a personal guaranty is not on file per Section 205.01 above, should have a Blanket Fidelity Bond and an Errors and Omissions policy in effect at all times. These policies must contain coverage protecting the Client against losses resulting from acts, errors, and omissions committed by the Clients' personnel or other parties providing any type of service to the Client. Full exceptions can be applied for.

The Blanket Fidelity and Errors and Omissions insurance policies held by a parent corporation may be used to provide coverage to a Client that is a subsidiary as long as that Client is clearly indicated as being covered in the policy. The coverage must be adequate and equivalent to the coverage that would otherwise be obtained on a separate basis by the subsidiary Client.

MAI will also accept coverage under the Mortgage Banker's or a Mortgage Brokers blanket bond policy or the Savings and Loan blanket bond policy for corporate Clients. Individual coverage is required if the Client is owned as a sole proprietorship or a partnership, if a personal guarantee has not been given per Section 205.01.

The Client must furnish proof that the insurer has agreed to notify MAI if the required coverage is canceled, reduced, or amended for any reason. Claims against this policy, whether or not pertaining to Loans sold by the Client to MAI, must be reported to MAI. The Client should indicate the total amount of the loss and circumstances surrounding the claim.

The Fidelity Bond and the Errors and Omissions insurance policies are both required with limits as required by State Licensure, or if not stated by the State, in a minimum amount of \$300,000. The policy's deductible clause may be for any amount up to the greater of \$100,000 or 5% of the bond's face amount per incident. The Errors and Omissions coverage must, at a minimum, protect the Client against negligence, errors, and omissions with regard to the following:

- < Maintaining hazard and flood insurance that meet our requirements.
- < Maintaining FHA insurance, VA Guaranty, or conventional Mortgage insurance.
- < Proper flood zone determination has been performed.
- < Paying real estate taxes and any special assessments.
- < Complying with the reporting requirements of FHA, VA, and the mortgage insurance companies.

This policy must be written on an "occurrence" basis. The minimum amount of coverage per occurrence must equal the amount required for the Fidelity Bond, which is required by MAI at a minimum amount of \$300,000.

210.01 Availability of Records

Each Client is expected to promptly respond to any request for production of all documents or records that MAI may require pertaining to the business dealings between MAI and the Client. In the event a Client does not respond in a timely manner to such a request, MAI may conclusively presume that such documents cannot be produced because they would confirm that the Client either did not take certain actions required by either the Client Contract and the Client Guide, or that the Client took certain actions prohibited by either or both of these documents. In such case, MAI will take appropriate action based on the Client's inability to produce necessary documentation.

If MAI is required to take legal action to obtain access to the contested documents or records, which it has a legitimate right to examine, the Client will be liable for any legal fees, costs, and related expenses that become necessary in enforcing our right of access to the documents or records in question.

220 Maintaining Approved Client Status

220.01 Periodic Review by MAI

MAI shall have the right to periodically review the current financial condition, delivery record, Agency certification status, and other factors considered at the time of the original Client approval. Such review can occur at least once annually, if desired by MAI. At the completion of this review, the Client's eligibility will remain in an approved status as long as the eligibility criteria and delivery performance are acceptable to MAI.

220.02 Information and Documents Required by MAI for Periodic Review

Examples of the documents that MAI may request to inspect include, but are not limited to, any and all of the following:

- < The most recent audited financial statements, if not available then unaudited, of condition and income. If the Client is a subsidiary company, the audited or unaudited financial statements of condition and income of the parent may also be required. Financial statements should be delivered to MAI, whether in response to a specific request or not, within 90 days following the end of each fiscal year.
- < The names and resumes of new officers and directors appointed since the last review.
- < A summary and explanation of any changes in methods of operation, financial condition, or relationship with regulatory agencies governing the operations of the Client.

220.03 Notice of Change in Approved Status

Immediate notification of a change in the Client's approval status will be provided by MAI when it is determined that a Client's minimum certification or delivery performance criteria are not being met.

300 Client Representations, Warranties and Covenants

300.01 General Information

The Client makes the Representations, Warranties and Covenants contained in this Client Guide for, and as to, the Client, the Client's Third Party Originators and each Loan delivered by the Client to MAI as of the respective dates of the Client Contract and each Commitment Letter, and as of each Funding Date. Such Representations, Warranties and Covenants are the Client's sole responsibility. Each Representation, Warrant and Covenant continues in full force and effect for so long as any Loan delivered by the Client remains outstanding and for so long as MAI is subject to any risk of loss or liability as to any Loan delivered by the Client. As is more fully set forth in this Client Guide, it is expressly understood and agreed that MAI's rights in connection with the Client's Representations, Warranties and Covenants survive any particular Loan's Funding Date and any termination of any of the Program Documents, and are not affected by any investigation or review made by, or on behalf of, MAI, except to the extent expressly waived in writing by MAI.

The Client acknowledges that MAI closes the Loans in reliance upon: (i) the truth and accuracy of the Client's Representations and Warranties set forth in the Program Documents and this Client Guide, all of which Representations and Warranties relate to a matter material to such closing; and (ii) the Client's compliance with each of the agreements, requirements, terms, Covenants, and conditions set forth in the Program Documents and this Client Guide. These Representations, Warranties and Covenants shall inure to the benefit of MAI's successors, affiliates and assigns unless MAI specifically waives a Representation, Warranty or Covenant in writing.

Making the Representations, Warranties, and Covenants contained in this Section does not release the Client from its obligations under any Representations, Warranties, or Covenants contained in other Client Guide sections, including the exhibits hereto, or in the Program Documents. The Client agrees that it will not assert as a defense, to the Client's obligations in this regard: (1) Client's lack of control over any of the Client's employees,

Agents or independent contractors; or (2) Client's lack of knowledge as to actions, omission, or status of the Client's employees, agents or independent contractors. MAI reserves the right to require the Client, as a condition to MAI's purchase of a given Loan or groups of Loans, to make additional Warranties in writing.

300.02 Representations, Warranties, and Covenants

All such representations and warranties are absolute, and the Client is fully liable for any misrepresentation or breach of warranty regardless of whether it or MAI actually had, or reasonably could have been expected to obtain, knowledge of the facts giving rise to such misrepresentation or breach of warranty.

The Client hereby makes the following Representations, Warranties and Covenants to MAI as follows:

1. **Qualifications of the Client** - Due Organization; Good Standing; Licensing - The Client is and shall continue to be duly organized, validly existing, and in good standing under the laws of the United States and under the laws of the state in which the Client is incorporated, organized and/or conducting business. The Client has and shall continue to maintain all licenses, registrations and certifications necessary to carry on its business as the Client is now conducting it and to be licensed, qualified, and in good standing in each state where a Mortgaged Property is located if the laws of any such state so require. The Client will remain in good standing with state and federal authorities to the extent necessary to ensure the enforceability of all Loans. The Client has disclosed to MAI all final written reports, actions and sanctions of all federal and state agency and instrumentality reviews, investigations, examinations, audits, actions and sanctions undertaken or imposed within two (2) years prior to the Client Contract's effective date. Except as the Client may have disclosed to MAI and MAI may have approved in writing, the Client is not operating under any type of agreement or order (including, without limitation, a supervisory agreement,

memorandum of understanding, cease and desist order, capital directive, supervisory directive, and consent decree) with or by the Office of Thrift Supervision, Federal Deposit Insurance Corporation, Federal Reserve Board, Office of the Comptroller of the Currency, or any state banking department or other government banking agency, and the Client is in compliance with any and all capital, leverage or other financial standards imposed by any applicable regulatory authority.

2. **Authority** - The Client has and will maintain full corporate and partnership power and authority, as applicable, to execute and deliver the Program Documents and perform in accordance with its terms, and the Client has taken all requisite corporate or partnership action to make the Program Documents valid, binding and enforceable upon the Client in accordance with its terms, subject as to enforcement or remedies, to bankruptcy, insolvency, reorganization, receivership or other laws affecting creditors' rights generally from time to time in effect and general equity principles. The Client is duly and validly authorized to execute and deliver all documents, instruments and agreements the Client is required to execute and deliver under the terms of the Program Documents and to consummate the transactions contemplated by the Program Documents. The Program Documents and this Client Guide evidence the Client's legal, valid, binding and enforceable obligations.

3. **Ordinary Course of Business** - Consummation of the transactions contemplated by the Program Documents and the terms of this Client Guide are in the ordinary course of the Client's business, and the Client's transfer, assignment, and conveyance of the Notes and the Mortgages pursuant to the Program Documents and the terms of this Client Guide are not subject to the bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction.

4. **No Conflicts** - The Client's execution and delivery of the Client Contract, delivery of the Loans, consummation of Client Contract contemplated transactions, fulfillment of and compliance with the terms and conditions of the Program Documents will not conflict with or result in a breach of any

terms, conditions, or provisions of the Client's articles of incorporation, charter, by-laws, partnership agreement, or other organizational document, or of any legal restriction or regulatory directive or any agreement or instrument to which the Client is now a party or by which it is bound; nor will such actions by the Client constitute a default or result in an acceleration under any of the foregoing, result in the violation of any law, rule, regulation, order, judgment, or decree to which the Client or any of its property is subject, impair the ability of MAI to realize on a Loan or impair its value.

5. Ability to Perform - The Client has the ability to perform each and every obligation contained in, and to satisfy each and every requirement imposed on the Client, in the Program Documents and this Client Guide and no offset, counterclaim, or defense exists to the Client's full performance of the Program Documents and this Client Guide's requirements.

6. No Adverse Actions - There is no action, suit, proceeding, inquiry, review, audit or investigation pending or threatened by or against the Client ("Adverse Action") that, either in any one instance or in the aggregate, could result in any material adverse change in the Client's business, operations, financial condition, properties or assets or in any material liability on the Client's part which would draw into question the validity or enforceability of the Program Documents, this Client Guide, any Loan, or any of the Client's actions taken, or to be taken in connection therewith; or which would be likely to impair materially the Client's ability to perform under the Program Documents' or this Client Guide's terms. Client shall advise MAI immediately, in writing, of any pending or threatened Adverse Action, or any pending or threatened action to revoke or limit any license, permit, authorization or approval issued or granted to the Client by any federal, state or local government or quasi-governmental body, or any agency or instrumentality thereof, which is necessary for the Client to conduct its business, or to impose any penalty or other disciplinary sanction on the Client, or any other sanction that would materially affect the Client's business.

7. No Consent Required - The Client's execution and performance of, and compliance with, the Program Documents and this Client Guide; delivery of

Loans; and consummation of any Program Documents transactions do not require the consent, approval, authority, or order of any court or governmental agency or body, or if required, the Client has obtained such unconditional approval prior to the related Funding Date.

8. No Untrue Information- The Client's Application, the Program Documents, the promises, agreements, Representations and Warranties contained in this Client Guide and all other statements, reports, and documents the Client furnished or will furnish pursuant to the Program Documents and this Client Guide contain no untrue statement of material fact nor do they fail to contain a material fact necessary to make the statements contained therein not misleading.

The Client is responsible for credit and property documents regardless of whether the information was provided by the Client, an entity related to the Client or designated by the Client to perform the function. This includes credit information, appraisals, or other documents/information used in the Loan's evaluation.

The Client should take all steps necessary to ensure that each Loan delivered to MAI has been prudently originated, and that all information supplied by, on behalf of, or concerning the Borrower is true, accurate and complete. The Client should ensure that interested parties are sufficiently independent from the Loan transaction and that adequate organizational controls are in place to ensure the independence, validity and reliability of the Loan information. In addition, the Client should implement prudent practices when relying on designated agents (such as escrow companies, title companies, etc.) in order to ensure that they comply with its instructions and that the integrity of the Loan transaction has been maintained.

9. Proof of Compliance - The Client will, upon the request of MAI, supply proof satisfactory to MAI of its:

- (a) Compliance with all representations and warranties contained in this Client Guide, and,

- (b) Compliance with all local, State and federal laws, rules and regulations, including, but not limited to:
- The Fair Credit Reporting Act
 - Truth In Lending Act
 - Real Estate Settlement Protection Act
 - Bank Secrecy Act
 - Equal Credit Opportunity Act

If MAI underwrites an unclosed Loan application and no credit is offered to the applicant or the applicant does not expressly accept or use any credit offered, the Client must provide the proper adverse action notice required by the Equal Credit Opportunity Act (ECOA), Regulation B Section 202.9(g). The notice must disclose MAI as a creditor on whose behalf the notice is given and must indicate the specific reason(s) for MAI's denial of the application. MAI will provide the Client with the specific reasons for its denial.

10. No Accrued Liabilities - Except as the Client has disclosed to MAI and MAI has acknowledged in writing prior to the Client Contract's effective date, there are no accrued liabilities of the Client with respect to any of the Loans, or circumstances under which MAI will be liable for any such accrued liabilities as the Client's successor in interest in and to the Loans.

11. Origination - The Loans have been legally, properly, prudently, and customarily originated in conformance with the highest industry standards of the residential mortgage origination business.

12. Compliance with Business and Property Laws - The Client has complied with, and shall continue to comply with, and has not violated and shall not violate, any law, ordinance, requirement, regulation, rule, or order applicable to its business or properties, the violation of which might adversely affect the Client's operations or financial conditions or the Client's ability to consummate the transactions contemplated by the Program Documents and this Client Guide.

13. Compliance with Program Documents and Client Guide - The Client has and will comply with all provisions of the Program Documents and this Client Guide, and will promptly notify MAI of any occurrence, act, or omission regarding the Client, the Loan, the Mortgaged Property or the Mortgagor, which occurrence, act, or omission may materially affect the Client, the Loan, the Mortgaged Property or the Mortgagor.

14. Inspection of Books and Records - The Client shall allow MAI, or its agent or designee, upon reasonable notice, to inspect all books and records of the Client pertaining to its mortgage operations and to any Loans funded by MAI for the Client, and the Client shall, upon MAI's reasonable request, or as provided for in the remedies provisions of this Client Guide, allow MAI to take possession of all files and other material relating to Loans funded by MAI.

15. Website Access and Usage - If the Client is granted access into MAI's private website, the Client represents and warrants that it will not disclose the Client's designated password to anyone nor use it to perform unauthorized functions. MAI grants client access to the web site provided the Client covenants and agrees to the following conditions:

- (a) The Client will indemnify and hold MAI harmless for any liability due to improper use of the web-site when accessed using Client's password.
- (b) Should Client's only security administrator be out of the office for any reason, MAI will not act as a security administrator on the behalf of the client. This includes, but is not limited to: password resets, adding/deleting employees, and changes to security access.
- (c) Client is responsible for notifying MAI if the only security administrator should leave his/her employment. At that time, MAI will delete all user accounts and establish a new security administrator.

300.03 CONCERNING INDIVIDUAL MORTGAGE LOANS

The Client Represents, Warrants and Covenants the following to MAI as to each Loan offered under the Program Documents:

16. Mortgage Loans as Described - No document, report, data or material furnished to MAI relating to any Loan (including, without limitation, the Mortgagor's Loan application executed by the Mortgagor) in any Loan File, whether delivered in hard copy, electronically or otherwise, contains any untrue statement of fact or omits to state a fact necessary to make the statements contained in the Loan File not misleading.

17. No Fraud or Misrepresentation - No fraud or misrepresentation by the Borrower or by the Client occurred with respect to or in connection with the origination or underwriting of any Loan and all information and documents provided to MAI, including by way of example and not limitation, appraisal, verification of employment, verification of deposit, tax returns, bank statements and loan application, which are given to MAI to be used in MAI's decision to extend credit are complete and accurate.

18. No Outstanding Charges - The Mortgagor has not defaulted under the Loan terms, and has paid any and all taxes, including, without limitation, any and all transfer taxes due and payable to any state or municipality relating to the Mortgaged Property's transfer of ownership and occupancy interest. The Mortgagor has paid all governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments and ground rents and other charges that previously became due and owing or will become due and owing within sixty (60) days of the Funding Date, or the Mortgagor has established an escrow account sufficient to pay such charges.

19. No Advances - Except as the Client has disclosed clearly and conspicuously in writing to MAI, and MAI has approved in writing to the Client, prior to the Funding Date:

- (i) the Client 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 Loan unless pursuant to an Agency eligible program or, except for interest accruing from the date of the Note or the Loan proceeds disbursement date, whichever is later, to the day that precedes by one (1) month the due date of the first installment of principal and interest; and

(ii) the Mortgagor has, in compliance with the applicable Underwriting Guidelines, made any down payment required in connection with the Loan, and has received no concession from the Client, the Mortgaged Property Client, or any other third party, unless pursuant to an Agency eligible program.

20. Original Terms/No Release - No person or entity has impaired, waived, altered, or modified in any respect, except by a written instrument that MAI has approved, the original Note and Mortgage terms. Any related MI Policy issuer and the title insurer have approved the substance of any Note and Mortgage term waiver, alteration, or modification, to the extent required by the respective policies. No Mortgagor has been released, in whole or in part.

21. No Defense - The Loan is not subject to any unexpired right of rescission, set-off, counterclaim, or defense, including, without limitation, the defense of usury. The operation of any of the Note or the Mortgage terms, or the exercise of any right thereunder, will not render either the Note or the Mortgage unenforceable, in whole or in part, or subject to any right of cancellation, set-off, counterclaim, or defense, including, without limitation, the defense of usury, and no such right of cancellation, set-off, counterclaim, or defense has been asserted with respect to the Note or the Mortgage.

22. Hazard Insurance - Pursuant to the terms of each Loan, hazard insurance policies meeting MAI's requirements insure all buildings or other improvements upon the Mortgaged Property and obligates the Mortgagor to maintain such hazard insurance policies at the Mortgagor's cost and expense, and upon the Mortgagor's failure to do so, or to provide evidence thereof, authorizes the Mortgagee to obtain and maintain such insurance at the Mortgagor's sole cost and expense, and to seek reimbursement from the

Mortgagor. Each 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, to MAI's benefit upon the consummation of the transactions contemplated by the Program Documents and this Client Guide. The Client has not engaged in, and has no knowledge of the Mortgagor having engaged in, any act or omission that would impair the coverage of any hazard insurance policy, the benefits of the endorsement provided for herein, or the validity and binding effect of either. The Loan terms permit the maintenance of an escrow account to pay the premiums for the above-mentioned insurance, and the Mortgagor has not waived the requirement for such escrows, unless otherwise permitted by MAI or required by applicable law. Each Loan File delivered on the Funding Date contains any required guaranteed initial Flood Zone Determination documentation.

See section 500.15 regarding requirements

23. Origination Compliance - The origination and processing of each Loan was in compliance with:

- (i) all applicable laws, rules, regulations, decrees, pronouncements, directives, orders, and contractual requirements with respect to the origination and processing of each Loan; and
- (ii) any and all other applicable federal, state, county, municipal, or other local laws, including, without limitation, those laws relating to truth-in-lending, real estate settlement procedures, consumer credit protection, usury limitations, fair housing, equal credit opportunity, collection practices, and real estate appraisals.

24. Loan Status - No person or entity has satisfied, canceled, subordinated, or rescinded, in whole or in part the Mortgaged Property and no person or entity has released, in whole or in part, the Mortgage Property from the Mortgage lien, nor executed any instrument that would effect any such release, cancellation, subordination, or rescission. There is no assumption, loss draft or payoff pending on the Loan nor has the Client received a request

for approval of, or notice of any proposed assumption, loss draft or payoff of the Loan.

25. Location and Type of Mortgaged Property - The Mortgaged Property is located in the state identified in the Loan File and, unless otherwise provided for in the Program Documents, this Client Guide or any applicable Underwriting Guidelines, consists of a single parcel of real property with a single family residence erected thereon, or a two-to-four family dwelling, or an individual unit in a planned unit development, condominium project, or cooperative. No portion of the Mortgaged Property is used for commercial purposes in such a manner that knowledgeable and sophisticated investors active in the residential secondary mortgage market would consider the Mortgaged Property commercial, rather than residential property.

26. Valid First Liens Secured by Real Property - The Mortgage is a valid, existing, and enforceable first lien on the Mortgaged Property; on all buildings on the Mortgaged Property; on all installations and mechanical, electrical, plumbing, heating, and air conditioning systems located in or affixed to such buildings; and on all additions, alterations, and replacements made at any time with respect to the foregoing. The Mortgage lien is subject only to:

(i) current real property taxes and assessment liens not yet due and payable;

(ii) covenants, conditions, restrictions, rights of way, easements, and other matters of public record which as of the date of the lien's recording are or were acceptable to mortgage lending institutions generally, are specifically referred to in the Title Policy or, as permitted by MAI and applicable state law, an attorney's opinion of title, delivered to the Loan originator, and:

(a) were referred to or otherwise considered in the appraisal made for the Loan originator or

(b) do not adversely affect the Mortgage Property's appraised value set forth in such appraisal; or

(iii) other matters to which like properties are commonly subject, which other matters 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 Mortgaged Property.

27. Loan Documents - All Loan Documents are genuine and complete in all respects and each is the Mortgagor's legal, valid, and binding obligation enforceable in accordance with its terms. All parties to the Note and the Mortgage had legal capacity to enter into the Loan, to execute and deliver the Note and the Mortgage, and did duly and properly execute the Note and the Mortgage. The person who or entity which originated the Loan used the then-current and valid Agency forms and documents, unless MAI expressly permitted or required in writing other documents.

28. The Full Disbursement of Proceeds - The full principal amount of the Loan proceeds have been advanced to Borrower, either by payment directly to such Borrower or by payment made on such Borrowers request or approval, and there is no requirement for future advances in the Loan documents. The unpaid balance of the Loan is as represented by the Client. Any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds therefore have been complied with. All costs, fees, and expenses incurred in making or closing the Loan and recording the Mortgage were paid, and the Mortgagor is not entitled to any refund of any amounts paid or due under the Note or the Mortgage.

29. Third Party Compliance - Client shall **not** deliver loans to MAI which have been originated by Athird parties@, i.e. any persons or entities that have no legal relationship with Client or which Client disavows any relationship or responsibility. However, should MAI inadvertently accept a Loan that a third party: (i) originated on the Client's behalf, (ii) originated on its own behalf and transfers it to the Client; or (iii) performs any act for the Client which the Program Documents or this Client Guide requires the Client to perform, the

Client warrants that such person or entity has complied with all this Client Guide's requirements with respect to all such Loans and acts. All parties that have had any interest in the Loan, whether as mortgagee, assignee, pledgee, or otherwise, are (or during the period in which they held and disposed of such interest, were) in compliance with any and all applicable requirements concerning licensing and qualifications to do business under the laws of the state where the Mortgaged Property is located.

30. **MI Policy** - The Client has not engaged in any act or omission, and the Client has no knowledge of any act or omission by or on the Mortgagor's behalf or any other person's or entity's behalf, which act or omission would impair any such mortgage insurance policy's coverage or validity or premiums.

31. **Title Insurance** - The Title Policy is in full force and effect, will be in full force and effect upon the consummation of the transactions contemplated in the Client Contract and in this Client Guide, and is in conformance with applicable Agency requirements. No claims have been made under such Title Policy, the accuracy of any attorney's opinion of title has not been disputed, and no prior Loan holder, including the Client, has done, by act or omission, anything that would impair the coverage of such Title Policy or the accuracy of such attorney's opinion of title. The attorney's opinion of title, if permitted by MAI or required by state law, is in a form and substance acceptable to investors purchasing Loans and mortgage lending institutions making Loans in reliance upon such attorney's opinions of title.

32. **No Defaults** - To the best of the Client's knowledge, no event has occurred or condition exists that, 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 of acceleration, and neither the Client nor its predecessors has waived any default, breach, violation, or event of acceleration.

33. **No Mechanic's Lien** - Unless fully covered by a Title Policy acceptable to MAI, there is no mechanic's or similar lien or claim filed for work, labor, or material (and no rights are outstanding that under applicable law could

give rise to such a lien or claim), affecting the related Mortgaged Property, which is or may be a lien prior to, or equal with, the related Mortgage's lien.

34. Improvement Locations; No Encroachments - All improvements MAIs underwriter considered in determining the Mortgaged Property's appraised value at origination lie wholly within the Mortgaged Property's boundaries and building restriction lines and no improvements on adjoining properties encroach upon the Mortgaged Property (except those encroachments which the title insurer has affirmatively insured over). No improvement located on or being part of the Mortgaged Property is in violation of any applicable zoning law or regulation. All Mortgaged Property improvements, including new construction, have been completed in full compliance with any applicable laws, regulations or building codes and standards, and the improvements comply with the laws, regulations, or building codes and standards as of the Funding Date.

35. Origination Terms - The person or entity originating the Loan, originated and processed the Loan in accordance with the Client Contract and this Client Guide's terms in effect when the Loan was originated and processed.

36. Occupancy Certifications - The Mortgaged Property is lawfully occupied under applicable law. The Client has made or obtained from the appropriate authorities all inspections, licenses, and certificates required to be made or issued with respect to all occupied Mortgaged Property portions, or with respect to the Mortgaged Property's use and occupancy (including, without limitation, certificates of occupancy and fire underwriting certificates).

37. Acceptable Investment - There is no circumstance or condition with respect to the Mortgage, the Mortgaged Property, the Mortgagor, or the Mortgagor's credit standing, that can reasonably be expected to cause investors to regard the Loan as an unacceptable investment, cause the Loan to become delinquent or adversely affect the Loan's value or marketability.

38. Condominium Project Units and Planned Unit Developments

("PUD") - As to each condominium unit located in a condominium project or planned unit located in a PUD: All Loans secured by units in condominiums or PUDs comply with the applicable condominium or PUD requirements set forth in this Client Guide and/or appropriate Agency guidelines. With respect to any lien held by a homeowners association, special district, or similar organization for assessments, maintenance fees or similar charges against the Mortgaged Property which is, or appears to be, equal to or prior to the Mortgage Loan, the homeowners association, special district or similar organization have agreed to give at least 60 days written notice before foreclosing on the lien and the Client will forward such notice to the holder of the Mortgage Loan at least 45 days before foreclosure.

39. Mortgaged Property Undamaged; No Condemnation - The Mortgaged Property is undamaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado, or other casualty so as to affect adversely the Mortgaged Property's value as security for the Loan or the use for which the premises were intended. The Mortgaged Property is in good repair. There are no condemnation proceedings by any federal, state, or local authority pending or, to the best of the Client's knowledge, threatened against the Mortgaged Property.

40. No Other Hazards - To the best of the Client's knowledge, except as the Client has specifically disclosed to MAI and MAI has approved in writing, the Mortgaged Property is not exposed to environmental hazards (such as toxic or hazardous waste) which are not covered by fire and extended coverage insurance or other available insurance.

41. No Third Party Originations - The Client will not allow third parties to originate loans, unless MAI has given Client written permission that it will accept third party originated loans from Client.

42. Real Estate Appraisals - Notwithstanding anything contained elsewhere in the Program Documents or this Client Guide, the Client hereby represents and warrants that:(i) all appraisals conducted in connection with each Loan, comply with applicable federal and state law, and applicable Agency

requirements; and(ii) with respect to any appraisal requirements imposed by or pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), as amended from time to time, the related Loan is eligible for purchase by a financial institution subject to FIRREA, and, in the case of Conforming Balance Loan sizes, by the Agencies.

43. **Bankruptcy or Insolvency** - To the best of the Client's knowledge, the Mortgagor is not a debtor in any state or federal bankruptcy or insolvency proceeding.

44. **Additional Fannie Mae or Freddie Mae Warranties** - For all Loans originated under either the Fannie Mae or Freddie Mac conventional mortgage programs, all Warranties, Representations and obligations required under the Agencies' respective selling programs are hereby referenced, made a part of, and incorporated in their entirety into this Client Guide.

45. **FHA and VA Guidelines** - Each FHA or VA Loan delivered to MAI meets all requirements and guidelines in effect for such Loans as prescribed by FHA or VA, as applicable, at the time of MAI's funding. The Client further warrants that each such insurable or guaranteeable Loan is eligible for inclusion in a Ginnie Mae pool.

46. **No Planned Refinance** - With respect to each loan delivered by the Client to MAI the Client hereby certifies that:

a. Neither the Client, any lender in the chain of title prior to the Client, nor any affiliate will contemporaneously solicit the borrower(s) to refinance the loan.

b. The Client, any lender in the chain of title prior to the Client, and any of their affiliates have not agreed to and will not agree to a planned refinance. A planned refinance is a refinance of the loan at an interest rate which is less than the immediately preceding interest rate by less than the basis point decline in the market rate since the origination or last refinance transaction.

c. The borrower(s) have been or will promptly be informed by the Client, or any lender in the chain of title prior to the Client, that the Client, or any of its affiliates, that the Client will not subsequently solicit the borrower to execute a refinance transaction unless mortgage market rates decline and the borrower(s) are offered an interest rate which is less than the contract rate on the borrower(s) current loan by at least the basis point decline in the market rate since the origination or last refinance transaction.

47. **Error or Fraud** - Neither the Client nor any other persons working for client involved in the Loan transaction or in its underwriting or documentation has made any false representation and/or has failed to provide information that is true, complete and accurate in connection with such transaction whether or not the Client was a party to or had knowledge of such misrepresentation or incorrect information, and no error, omission, misrepresentation, negligence, fraud or similar occurrence with respect to the Loan has taken place on the part of the Client or Client's employees involved in the Loan's origination or in the application of any insurance in relation to such Loan.

48. **No Options** - No other party has any option or right of first refusal or other arrangement to acquire directly or indirectly any of the Loans delivered to MAI.

49. **Loan Payments** - The Client has not made, directly or indirectly, any payment on the Loan or on any other Loan of the Mortgagor from any other person or entity; the Client has also not made any agreement with any Mortgagor providing for any variation of the Loan interest rate, the schedule of payment or other Loan terms and conditions.

50. **Adverse Selection** - The Client used no adverse selection process or procedures in selecting the Loans to be delivered to MAI.

51. **Securities Law** - MAI has made no representation whatsoever to the Client concerning the applicability or inapplicability of the Security Act of 1933, as amended (the "1933 Act") or of any state securities laws (each, a

"State Act") to the transactions that are the subject of this Client Guide. The Client hereby represents and warrants to MAI as follows:

(i) The offer, issuance, sale, and delivery of the Loans under the circumstances contemplated hereunder constitute exempted transactions under the registration provisions of the 1933 Act, and the registration of the Loans under the 1933 Act is not required in connection with any such offer, issuance, sale, or delivery of the Loans; and

(ii) The offer, issuance, sale, and delivery of the Loans under the circumstances contemplated under the Program Documents and this Client Guide constitute exempted transactions under applicable State Acts, and neither the Loans registration or qualification is required under such State Acts nor is the authorization, approval, or consent of any governmental authority or agency required or necessary in connection with any such offer, issuance, sale, or delivery of the Loans.

310 Events of Default/ Remedies

This section sets forth events constituting defaults under the terms and conditions of the Program Documents ("Events of Default") and sets forth remedies available to MAI upon the occurrence of an Event of Default. The Client is responsible for notifying MAI immediately upon the Client's knowledge of any Event of Default.

310.01 Events of Default

The Events of Default for which MAI is entitled to remedies include, but are not limited to:

- (1) The Client has not complied with one or more of the requirements (including any requirement outlined in the Eligibility Standards Section 200 of this Client Guide), terms or conditions outlined in this Client Guide.
- (2) The Client has breached any agreement outlined or incorporated by reference in the Client Contract or any other agreement between the Client and MAI.
- (3) The Client breaches any of the representations, warranties or covenants set forth in this Client Guide, fails to perform its obligations under this Client Guide or the Program Documents, or is unable to supply satisfactory evidence of compliance with the Program Documents, makes one or more misleading representations, warranties or covenants to MAI, or has failed to provide MAI with information that is true, complete and accurate.
- (4) The Borrower or any other person or entity involved in the Loan transaction or in its underwriting or documentation (including any appraiser, broker, third-party originator, credit reporting agency, or other provider of underwriting information) has made any false representation and/or has failed to provide information that is true, complete and accurate in connection with such transaction, whether or

if the Client was a party to.

- (5) The Client did not deliver and/or document the Mortgage Loan in accordance with Program Document requirements.
- (6) For a Mortgage Loan requiring mortgage insurance, the mortgage insurer cancels coverage and/or denies a claim under such coverage due to fraud, misrepresentation or omission of a material fact or for any other reason related to the eligibility of the Mortgage Loan for mortgage insurance or guaranty.

310.02 Adverse Financial Condition Of The Client Event of Default

In the event the Client undergoes any adverse financial condition MAI may require one or more applicable remedies set forth in General Remedies (Section 360). Adverse Financial Condition shall include but not be limited to:

Occurrence of an act of insolvency or bankruptcy concerning the Client. The Client fails to obtain a vacation or stay of involuntary proceedings brought for its reorganization, dissolution or liquidation. The Client fails to meet any capital, leverage, or other financial standard imposed by any laws or applicable regulatory authority. MAI determines in its sole discretion that any material adverse change has occurred in the Client's financial condition. The Client fails to meet any net worth or ownership requirements as may be set forth in the Program Documents. MAI determines in its sole discretion that the Client's sales and warranty obligations are disproportionate to its capital and/or assets.

310.03 General Events of Default

If any of the events listed below in this Section 310.03 occur, MAI has the right to demand Repurchase of the related Mortgage Loan (Section 340.02),

or MAI may require one or more applicable remedies set forth in General Remedies (Section 360).

- a. **BREACH OF REPRESENTATION OR WARRANTY** - Client defaults under or breaches any of the Representations, Warranties or Covenants set forth in the Client Guide, Program Documents or Client Contract.
- b. **GUARANTY AND SUPPORT AGREEMENT DEFAULT** - Any Guarantor of the Client's obligations defaults under the terms of a Guaranty and Support Agreement (including, without limitation, any default by Guarantor in maintaining any minimum Tangible Net Worth required under such Guaranty and Support Agreement) given to MAI on the Client's behalf, any such Guarantor becomes insolvent or bankrupt; MAI determines in its sole discretion that a material adverse change has occurred in such Guarantor's financial condition; or any Guarantor fails to meet any capital, leverage or other financial standard imposed by any applicable regulatory authority.
- c. **OTHER AGREEMENT DEFAULT** - The Client defaults under the terms of any other agreement to which the Client and MAI are parties.
- d. **FAILURE TO MEET REPURCHASE OR INDEMNIFICATION OBLIGATION** - The Client fails to Repurchase from MAI any Mortgage Loan required to be repurchased under the terms of the Client Contract, or Client fails to fulfill any indemnification obligation as set forth in this Client Guide.
- e. **LEGAL OR REGULATORY ACTION** - The Client is placed on probation or a federal or state government agency restricts the Client's activities in any manner; a court finds that the Client or any of the Client's principal officers have committed an act constituting civil fraud; or the Client or an Officer thereof is convicted of any criminal act that relates to broker, lending or Loan servicing activities.

f. **FAILURE TO MEET INSURER'S APPROVAL STANDARDS -**

The Client is unable to meet the approval standards of any Mortgage Insurer or other entity that provides insurance or other credit enhancements in connection with MAI's efforts to sell the Mortgage Loans or to borrow based on the collateral value of the Mortgage Loans.

g. **FAILURE TO DELIVER REQUIRED DOCUMENTS -** The Client fails to deliver to MAI any required documents.

h. **INVALID ASSIGNMENT -** The Client assigns or attempts to assign its interests, rights or obligations under the Client Contract without MAI's prior written consent.

320 Notice; Filing An Appeal

If the Client discovers an Event of Default, it should give MAI prompt written notice. Such notice should include a written description of the Event of Default. Upon receipt of this notice, MAI will review these materials and any additional information or documentation that the Client believes may influence MAI's decision to require repurchase. If MAI decides to require repurchase, the Client shall repurchase the Loan and the servicing (if the Loan was sold servicing released) within 30 days after MAI's decision. The Client may appeal MAI's decision by providing any additional information or documentation it believes may affect MAI's determination. All information and documentation submitted to MAI in connection with an appeal should be received within 30 days after the Client's receipt of the notice of an Event of Default. MAI will review all appeals and advise the Client in writing of the appeal decision.

Send all notifications and appeals to:

Mortgage Assurance Inc.
1200 Ashwood Parkway, Suite 580
Atlanta, GA 30338
Attention: Quality Control Manager

MAI may also determine the validity of any appeal filed by the Client in regard to an Event of Default. If MAI's decision remains firm following an appeal, the Client shall repurchase the Loan, or indemnify MAI, as the case may be, within 10 days of notification by MAI that the appeal has been denied.

330 Prohibited and Questionable Activities

(i) Delivering a Loan in Process of Refinancing. MAI considers the delivery of any Mortgage that is in the process of being refinanced (or acquiring from, or funding for, a third-party originator) as unacceptable (even if no agreement for future refinancing was entered into at the time of origination). Therefore, the Client must not deliver for MAI's funding or securitization any Mortgage that the Client (or its affiliates or its third party originators) has agreed to refinance or is currently in the process of refinancing. MAI considers an originator to be in the process of refinancing a Mortgage if, at the time the loan is delivered to MAI, the Client has taken another application from the same Borrower for the same property or has entered into an agreement with one of its third-party originators to acquire or fund another Mortgage that has the same Borrower and property as the Mortgage that is being delivered to MAI.

(ii) Targeting. MAI considers specifically targeting or allowing other Loan originators at any time to specifically target borrowers whose Mortgages are owned, securitized or serviced by MAI for early payoff as unacceptable.

(iii) Bridge Loans. MAI does not make loans for short term financing or bridge loans. The Client should not deliver a loan to MAI if the borrower's intention is for short term or bridge financing. If a Loan pays off within 180 days (conforming/ jumbo) or 150 days (MAI Alternative) from the date of closing, the presumption will be that the intent of the borrower was for such short term or bridge financing. See Section 350.01.

(iv) Occupancy. The Client should take every precaution to insure that the occupancy status of the Borrower as stated in the Borrower's loan application is accurate both in form and substance. If the Client knows, or reasonably should have known, that the Borrower intends NOT to occupy the property, then, Client should neither assist the Borrower in obtaining owner occupied financing, nor should such Loan be delivered to MAI.

(v) High Cost Mortgages and Predatory Lending. MAI does not purchase or close High Cost Mortgage Loans as defined by various state laws or

Agency guidelines, or Section 32 Loans as defined in Federal consumer lending statutes. The Client shall not deliver to MAI such High Cost Mortgage Loans, nor shall Client engage in any predatory lending practice as defined in applicable state or federal law.

330.01 Questionable Practices Event of Default & Remedies

Questionable practices (such as those discussed above), constitute an Event of Default. The Client must include in its policies and procedures for originating new Mortgages, refinancing existing Mortgages and reviewing Mortgages originated by third parties appropriate safeguards to preclude the possibility of violating MAI's prohibitions against questionable practices.

If Client has delivered to MAI a Loan in which the fees, including discount points, charged by Client to Borrower bring the Loan under any definition (state, Federal, Agency or otherwise) of a High Cost Mortgage, Client shall remit to MAI the amount of fees exceeding the threshold amount for a High Cost Mortgage.

The Remedies available to MAI vary based on the Loan type, manner of underwriting (if applicable), and the applicable representation, warranty or covenant and are in addition to any other remedies MAI may have at law or in equity. (See also Section 360 of this Client Guide.) These remedies include, but are not limited to:

Repurchase

Indemnification

Reasonable Assurances

Suspension and Termination

Set-off (Net Fund)

Withholding of Fundings

340.01 Non-Exclusive, Cumulative Remedies

MAI may exercise any remedy outlined in this Client Guide or as allowed by law or in equity. MAI's exercise of one or more remedies in connection with a particular Event of Default will not prevent it from exercising:

- a) One or more other remedies in connection with the same Event of Default
- b) Any other rights which it may have at law or in equity deemed appropriate to protect its interest

340.02 Repurchase Remedy

If MAI determines that an Event of Default has occurred with respect to a specific Loan, MAI will notify the Client of a repurchase obligation in writing. The Client agrees to repurchase the Loan within 30 days of receiving a repurchase letter from MAI.

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

Client acknowledges that MAI is often made aware of an Event of Default by the investor to whom MAI sold the Loan after the Loan has been foreclosed or the property securing the Loan has been sold to an unrelated third party. Client shall not raise as a defense to any repurchase demand, or any indemnification demand, that (i) the mortgaged property was foreclosed; or (ii) that Client was not given timely notice to participate in, or allowed to participate in, the disposition and sale of the property in order that Client might mitigate its damages.

340.03 Calculation of Repurchase Price

In the event the Client is obligated to repurchase a Loan the Client must pay to MAI a repurchase price equal to the sum of:

- A). The actual principal balance of the Loan at the time of repurchase calculated without regard to the amount of debt, if any, bid by the owner of the Loan at any foreclosure sale conducted with respect to the Loan, plus

- B). All accrued and unpaid interest on the Loan through the last day of the month of the date of repurchase (which amount shall be calculated without regard to the amount of debt, if any, bid by the owner of the Loan at any foreclosure sale conducted with respect to the Loan); plus

- C). An imputed servicing release fee of 1% of the original principal balance plus any yield spread premium paid to Client; plus

- D). All interest, principal and other advances made to investors and all out of pocket costs and expenses of any kind incurred by MAI and/or the primary Servicer in connection with the Loan, including, but not limited to, advances for taxes or insurance, and repair, foreclosure and insurance costs and attorneys' fees, documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with the repurchase; less

E). The net amount of any proceeds realized by the owner of the Loan upon the final liquidation of the Loan or the Mortgaged Property to an unrelated third party.

The Designated Servicer will return to the Client any escrow funds, unapplied funds and prepaid principal and interest installments. In the event the Client is obligated to repurchase a Loan after foreclosure, it will be obligated to do so for the repurchase price specified above even if the full amount of the outstanding debt with respect to that Loan was bid by or on behalf of the owner of the Loan to acquire the Mortgaged Property at the foreclosure sale. Upon the Client's satisfaction of its repurchase obligation, MAI will endorse the Note showing the Loan in blank and will deliver it and other pertinent Loan Documents to the Client. In addition, if MAI acquired title to any of the real property securing that Loan pursuant to a foreclosure and has not disposed of such property, it will transfer such property to the Client on a "quit claim" basis.

Please Note: MAI's decision to require the Client to Repurchase a Mortgage shall be conclusive. The Client's failure to comply with MAI's Repurchase request may result in suspension or termination of submission privileges. Suspension or termination upon the occurrence of one or more of the Repurchase events shall not limit MAI's right to take other action to enforce its rights or protect its interests, including, but not limited to those remedies set forth in General Remedies (Section 360).

350 Early Payoffs and Prepayments

350.01 Remedies for Early Payoff of Loans

If a loan is paid off in full on or within 180 days from the date of funding, regardless if the loan is refinanced, regardless whether Client was involved in the refinance, or the property securing the loan is sold, MAI shall require Client to pay to MAI the amount of One Percent (1.0%) of the original principal balance of the loan.

350.02 Review of Activities / Remedies

MAI will review Clients that have high levels of prepayments. If such a review raises serious concerns about the Client's practices, MAI will conduct a review of the Client's origination and refinancing activities to ensure that they are in compliance with MAI's requirements. MAI will be entitled to one or more appropriate General Remedies if MAI finds that the Client has violated MAI's policies and requirements set forth in this Section 305.07, including, but not limited to, requiring the Client to make MAI whole for any losses resulting from claims made by Agencies or investors.

360.01 General Remedies

MAI shall have available to it the following General Remedies in the event MAI has reason to believe that the Client breached the terms and conditions of the Client Contract, this Client Guide or that an Event of Default has occurred.

a. **REAL ESTATE OWNED ("REO") INDEMNIFICATION** - With respect to each Mortgage Loan that is the subject of any breach of one or more representations, warranties or covenants specified in the Program Documents, if MAI (or MAI's agent or affiliate, or any subsequent owner of the Mortgage Loan or such owner's agent or affiliate) has acquired title to the related Mortgaged Property through foreclosure, deed-in-lieu of foreclosure, abandonment or reclamation from bankruptcy of the defaulted Mortgage Loan, then, within thirty (30) days after MAI's demand, the Client shall, at MAI's option: (i) purchase the Mortgaged Property from MAI at a purchase price equal to the Repurchase Price; or (ii) if MAI has sold or otherwise disposed of the Mortgaged Property, indemnify and hold MAI harmless for any loss resulting therefrom.

b. **GENERAL INDEMNIFICATION** - When MAI determines that repurchase of a Loan is not appropriate, the Client shall pay MAI all losses, costs and expenses incurred by MAI and/or the Loan's Servicer as a result of an Event of Default. In addition, the Client shall indemnify MAI from all losses, damages, penalties, fines, forfeitures, court costs and reasonable attorneys' fees, judgments, and any other costs, fees and expenses resulting from any Event of Default. This includes any act or failure to act or any breach of warranty, obligation or representation contained in the Client Contract, Client Guide or the Program Documents or from any claim, demand, defense or assertion against or involving MAI based on or resulting from such breach or a breach of any representation, warranty or obligation made by MAI in reliance upon any warranty, obligation or representation made by the Client contained in the Client Contract, Client Guide or the Program Documents

The Client also shall indemnify MAI and hold it harmless against all court costs, attorney's fees and any other costs, fees and expenses incurred by MAI in enforcing the Client Contract. The obligations of the Client under this Section shall survive the Delivery Date, the Funding Date, and the termination of the Client Contract and the disqualification or termination of the Client.

c. **REASONABLE ASSURANCES** - If, at any time during the term of the Client Contract, MAI has reason to believe that an Event of Default has occurred, MAI shall have the right to demand, pursuant to written notice from MAI to the Client, reasonable assurances that such a belief is in fact unfounded. Any failure by the Client to provide the reasonable assurances set forth in the written notice and within a time frame specified in the written notice shall constitute an additional Event of Default; provided, however, that, notwithstanding anything set forth in the Program Documents to the contrary, and so long as no other Event of Default has occurred and is continuing, MAI shall only be entitled to exercise such reasonable assurance remedy as may be necessary or appropriate for MAI to insulate itself from any potential harm or loss relating to or caused by the facts or circumstances giving rise to such Event of Default.

d. SUSPENSION OR TERMINATION OF SELLING PRIVILEGES

(i.) Suspension - Without affecting any other of MAI's remedies, MAI, by giving written notice to the Client, may immediately suspend all the Client's Registrations and Rate-Locks and the Client will cease to be eligible to obtain new Commitments during the term of such suspension. Upon any such suspension, MAI may determine in its sole discretion whether it will continue to fund Mortgage Loans under outstanding Commitments previously

obtained by the Client or refuse to Fund any or all Mortgage Loans, pending the cure, to MAI's satisfaction, of the Event of Default. If the Event of Default is, in MAI's judgment, not susceptible of cure, or if such Event of Default is, in MAI's judgment, susceptible of cure, but has not been cured within thirty (30) calendar days after MAI gives the Client written notice of an Event of Default ("Event of Default Notice"), or such other period as MAI sets forth in such Event of Default Notice, MAI may, by written notice to the Client, immediately terminate any and all of MAI's duties and obligations under the Program Documents.

(ii.) Termination Due to Event of Default - MAI may immediately terminate the Client upon an Event of Default.

e. **RIGHT TO WITHHOLD FUNDINGS** - Upon any termination or suspension, MAI shall have the right to suspend the Client's Fundings until such time as MAI has determined in the exercise of its reasonable judgment that MAI has insulated itself from any potential harm or loss relating to the Client's sale of Mortgage Loans to MAI.

f. **RIGHT OF SET-OFF (also known as Net Fund)** - MAI may set-off and deduct any fees, penalties or other sums owed to MAI by the Client under the terms of the Program Documents. Upon any Event of Default, MAI may, at any time, to the fullest extent permitted by applicable laws and without prior notice to the Client (the Client waives any right to receive any such notice) set-off and apply all or any portion of the purchase price owed by MAI to the Client with respect to any Loan, any principal, interest or other advances that were made by the Client with respect to any Loans serviced by the Client on behalf of MAI that are reimbursable under the Client Guide, and any other indebtedness at any time owing by MAI to the Client against any or all outstanding repurchase, indemnification, or other obligations of any kind owing by the Client to MAI, irrespective of whether MAI shall have exercised any other rights that it has or may have with respect to such outstanding obligations. MAI will notify the Client promptly after any such

set-off and application, provided that the failure by MAI to give such notice to the Client shall not affect the validity of such set-off and application. The rights of MAI under this Right of Set-Off Section are in addition to any other rights and remedies including, without limitation, other rights of set-off that MAI may have.

g. **NOTIFICATION OF AGENCIES OR REGULATORS** - MAI may notify any relevant Agency, regulator, or any third party whose business is to track irregularities in the origination of mortgage loans, of the occurrence of an Event of Default involving fraud or misrepresentation.

370 Notification of Breach

MAI shall be under no obligation to notify the Client of the occurrence of any breach of the Client's representations, warranties or covenants hereunder, or of the occurrence or existence of any other Event of Default. All of MAI's remedies hereunder, including, without limitation, the Repurchase Remedy with respect to the Mortgage Loan, any purchase obligation with respect to the Mortgaged Property, and the indemnification with respect to any breach of a Representation, Warranty or Covenant (or any other Event of Default), shall exist regardless of the dates of MAI's discovery and notice to the Client of the breach and MAI's demand for any remedy. Notwithstanding any other provision of the Program Documents to the contrary, the Client shall remain liable for all remedies hereunder even if MAI discovers a breach after the Mortgage Loan no longer exists.

380 Waiver of Defaults/Remedies

MAI may waive any default by the Client and its consequences, only in a written waiver specifying the nature and terms of such waiver. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto, nor shall any delay by MAI in exercising, or failure to exercise, any right arising from such default affect or impair MAI's rights as to such default or any subsequent default. All of MAI's remedies are

non-exclusive and cumulative. MAI's failure to exercise any of its remedies does not constitute a waiver of that remedy in the future as to the same or any other Client default.

390 Termination

TERMINATION WITHOUT CAUSE

In addition to the provisions set forth elsewhere in the Program Documents for termination of the Client Contract or any of the other Program Documents, either the Client or MAI may terminate the Client Contract or any of the Program Documents without cause (which termination shall have the effect outlined below) at any time upon prior written notice of termination to the other party. The party giving the notice of termination must specify the effective date of termination in such notice and such date of termination must be at least thirty (30) days after the date such party sends such written notice.

EFFECT OF TERMINATION

a. **WITHOUT CAUSE** - Provided that termination is without cause, as provided in the immediately preceding section, and provided that no Event of Default on the part of the Client has occurred, termination of the Client Contract by MAI shall not apply to any Mortgage Loans that have been Registered with MAI by the Client before the effective date of the termination.

b. **DUE TO BREACH OR AN EVENT OF DEFAULT** - If MAI terminates the Client Contract or any Program Document due to an Event of Default, MAI may refuse to Register or Fund any or all Mortgage Loans from the date of the notice of termination. The Client will not be entitled to a termination fee or any other compensation from MAI for any reason or cause relating to any consequential, incidental or indirect damages arising out of, or in connection with, the Client's suspension or termination. Further, for any Mortgage Loan in process with MAI at the time of termination, MAI shall have the right to contact the borrower and close the loan and retain any and all fees collected in connection with the closing. All Mortgage Loan

documents submitted by Client in MAI possession at the time of termination shall be the sole property of MAI.

c. **SURVIVAL OF REMEDIES** - It is understood and agreed that MAI's remedies set forth in this Section, in the Client Contract, this Client Guide and /or other Program Documents shall survive the sale and delivery of the related Mortgage Loan to MAI and MAI's funding of the related Purchase Price, and will continue in full force and effect, notwithstanding any termination of the related Client Contract and this Client Guide, or any restrictive or qualified endorsement on any Note or Assignment of Mortgage or Mortgage Loan approval or other examination of, or MAI's failure to examine, any related Mortgage Loan File.

395 Failure to Clear Conditions

If Client has gone Dark and is no longer providing the Consumer with service and fails to clear or satisfy any conditions that MAI has conditioned its underwriting approval upon, within 30 days from the date Client receives such conditions from MAI, MAI shall have the right to pursue clearing such conditions and shall have the right to close the related loan and MAI shall not be under any obligation to Client to charge or collect any monies on Client's behalf, nor shall Client be entitled to any service release premium or yield spread from such loan.

400 Standard Provisions

410.01 General

1. **Use of Name** - The Client is not authorized to use the corporate name "Mortgage Assurance Inc." or any derivation thereof, or any of the service marks of MAI in any promotional or other materials without the prior, written consent of MAI. As consideration for granting such consent, the Client agrees to indemnify MAI from, and hold it harmless against any loss, damage or expense, including those incurred in defending any action or proceeding, which results from Client's use of MAI's corporate name, trade name or service marks. The Client will not advertise or represent in print, in verbal communications or otherwise, that it is acting on behalf of, under the direction of, as the agent or as the representative of or otherwise through or for, MAI.

2. **Governing Law** - The Client Contract and this Client Guide shall be construed in accordance with the substantive law of the State of Georgia and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such law without regard for the principles of conflict of law and any suit shall be brought in Georgia.

3. **Severability of Provisions** - If any one or more of the covenants, agreements, provisions, or terms of the Client Contract or this Client Guide shall be held invalid for any reason whatsoever, then any such covenants, agreements, provisions, or terms shall be deemed severable from the remaining covenants, agreements, provisions, and terms of the Client Contract or this Client Guide and shall in no way affect the validity or enforceability of the other provisions of the Client Contract or this Client Guide.

4. **Assignment** - MAI shall have the right to assign its rights and duties under the Client Contract and this Client Guide to any party without the consent of the Client. MAI shall notify the Client in writing of any such assignment. The Client shall have no right to assign its rights or duties under

the Client Contract or this Client Guide without MAI's prior written consent. MAI also may assign separately to any other party any or all representations, warranties or covenants made by the Client to MAI in the Client Contract or this Client Guide, along with any or all of MAI's remedies available against the Client for the Client's breach of any representation, warranty or covenant hereunder, including, without limitation, the repurchase and indemnification remedies. Any such party shall be an intended third party beneficiary of those representations, warranties, covenants and remedies.

5. **Entire Agreement; No Waiver** - The Client Contract, this Client Guide and/or the exhibits thereto and hereto contain the final and entire agreement between MAI and the Client with respect to the delivery of the Mortgage Loans, and are intended to be an integration of all prior negotiations and understandings. No waiver of any of the provisions of the Client Contract or this Client Guide shall be valid unless the same is in writing and is signed by the party against which such waiver is sought to be enforced. Delay by MAI in exercising any right or remedy under the Client Contract, this Client Guide, or otherwise provided by law shall not operate as a waiver or preclude the later exercise of that right or remedy.

6. **No Partnership** - Nothing herein contained shall be deemed or construed to create a partnership or joint venture between the parties hereto. At no time shall the Client represent that it is acting as an agent for or on behalf of MAI. At all times the Client shall act as an independent contractor.

7. **Confidentiality** - As a result of its relationship with MAI and access to the Client Contract and this Client Guide, the Client will learn or have access to various trade secrets, confidential and proprietary methods, techniques, processes, applications, approaches, and other information in various forms, which such information is used or useful in the conduct of MAI's business, including its origination, Loan Purchase, sale, and servicing of Mortgage products, collectively referred to as "Confidential Information." The Client acknowledges that such Confidential Information is the exclusive property of MAI. The Client shall not, at any time, regardless of if, when, and how its relationship with MAI may terminate, directly or indirectly use, disclose, publish, reveal, copy, disseminate, or otherwise make available such

Confidential Information, other than as expressly set forth in the Client Contract or this Client Guide.

8. **Consumer Privacy** -Notwithstanding anything to the contrary, Client agrees that it will not use or disclose any "nonpublic personal information" on a "customer" or "consumer" of any financial institution affiliated with Mortgage Assurance Inc. that is made available to, provided to, or obtained by the Client for any purpose other than as required for the performance of the Client's obligations under this Client Guide. In addition, Client will not disclose such "nonpublic personal information" to any third party, including (without limitation) to an affiliate of the Client or to any individual contractor, to carry out the performance of the Client's obligations under this Client Guide unless: (1) the Client obtains the prior written consent of MAI Funding, Inc.; and (2) such third party agrees in writing to be bound by the terms of this section and will use such "nonpublic personal information" only to perform some or all of the Client's obligations under this Client Guide in accordance with applicable law. For purposes of this section, the terms "nonpublic personal information," "consumer" and "customer" shall have the meanings set forth in Title V of the Gramm-Leach-Bliley Act and its implementing regulations, and this section shall survive termination of Client's Client Contract and/or this Client Guide.

9. **Non-exclusive Relationship** - Notwithstanding anything set forth herein or elsewhere to the contrary, the Client acknowledges, understands, and agrees that its relationship with MAI is on a non-exclusive basis and that MAI may, in its discretion, at any time or from time to time, and without any liability or obligation to the Client: (i) contract with, designate, authorize, constitute, or appoint one or more entities other than the Client to originate, solicit, process, underwrite, close, fund, bill, sell and/or invest in Loans of any type for Funding by or sale to, or as agent for and on behalf of, MAI, all of which activity may occur in all or any portion of the geographic territory in which the Client originates Loans; and/or (ii) either directly or indirectly compete with the Client, either for MAI's own account or as agent for and on behalf of another, in the solicitation, processing, underwriting, closing, Funding, billing, selling of and/or investing in Loans in such geographic territory.

10. **Change of Form or Ownership of the Client's**

Company/Event of Default - Unless expressly prohibited by applicable law, the Client must immediately notify MAI in writing of any pending, proposed, or actual change in direct or indirect ownership or control, whether by sale, transfer, merger consolidation or otherwise, including, but not limited to, a sale of all or of any substantial portion of the Client's assets; provided, however, this notice requirement shall not apply to any sale of shares of capital stock in any corporation whose stock is publicly traded on a national securities exchange or on the National Association of Securities Dealers Automated Quotation System, which sale does not constitute the transfer of fifty percent (50%) or more of the ownership interests in the Client, the Client must also notify MAI of any change in name or reorganization of corporate form, whether or not such change materially affects such party's business activities or financial condition, and of any material change in the Client's senior management, and must provide MAI with copies of any filings, registrations, and certifications required by any state or federal regulatory authority in connection therewith. The Client must notify MAI in writing of any substantial change in ownership affecting the Client's parent, any owner of the parent, any other beneficial owner of the Client that does not own a direct interest in the Client, or any party that has executed a Guaranty Agreement in connection with the Client's participation in the MAI's Third Party Originator Program. An applicant to the MAI's Third Party Originator Program must immediately notify MAI in writing of any of the foregoing changes that are either proposed or effective (unless such change was disclosed in the Client Application). For any of the foregoing changes except a name change, the Client shall submit an Opinion of Counsel acceptable to MAI in form and substance, together with the required documentation. Because MAI's approval of the Client is based in part upon the Client's ownership and management, it will constitute an Event of Default hereunder, and MAI may suspend or terminate the Client from the MAI's Third Party Originator Program, if any change enumerated in the immediately preceding paragraph occurs, or is undertaken by the Client, without MAI's prior written consent.

11. **Notices** - All notices, demands and other communications required or permitted to be given or made in the Client Contract or this Client Guide shall be, except where telephonic notice is specifically provided for under the Client Contract or this Client Guide, in writing and shall be deemed duly given, made or sent, and received, (i) when personally delivered, or (ii) in the case of a telex or facsimile with confirmed answer back at the time of dispatch thereof (provided that if the date of dispatch is not a business day in the locality of the party to whom such notice, demand or other communication is sent, it shall be deemed to have been received on the next following banking day in such locality), or (iii) on the next succeeding business day when sent by express overnight delivery, e.g. UPS or Federal Express, or (iv) on the fourth (4th) business day next succeeding the day on which the same is sent by registered or certified mail, postage prepaid, to the party intended as the recipient of the notice at its address specified in the Client Contract, or at such other address as such party may have provided to the other for such purpose in a notice complying with the terms of this Section.

12. **Transfer of Mortgage Loan/Power of Attorney** - The Client agrees to convey and assign to MAI all of its right, title and interest in and to each Mortgage Loan funded by MAI, including all supporting documentation. The Client authorizes and gives to MAI a limited power of attorney to endorse the Note to MAI, execute an assignment of the security instrument to MAI, and perform all and every act and thing whatsoever requisite and necessary to be done with full power of substitution and revocation in connection with Client's transfer of the Mortgage Loan to MAI. The Client agrees to sign any document required to fully execute and finalize the assignment and transfer to MAI of any Mortgage Loan transaction closed and funded in the Client's name and committed to MAI under the Agreement. The Client hereby ratifies and confirms everything that MAI, as the Client's attorney-in-fact, shall lawfully do or cause to be done by virtue of this limited power of attorney.

410.02 Rules of Construction

INTERPRETATION - All words used in this Client Guide shall be construed to be of such gender or number as the circumstances require. All accounting terms used without definition shall be interpreted in accordance with generally accepted accounting principles and determinations required to be made pursuant to this Client Guide shall be made in accordance with generally accepted accounting principles.

RELATION TO OTHER PROGRAM DOCUMENTS - Nothing in this Client Guide shall be deemed to amend, or relieve the Client of its obligations under any Program Document.

"KNOWLEDGE" STANDARD - Whenever any representation, warranty, or other statement contained in the Client Contract or this Client Guide is qualified by reference to a party's knowledge or to the best of a party's knowledge, such knowledge shall be deemed to include a party's knowledge of facts or conditions which the party, including (without limitation) any of such party's directors, officers, agents, or employees, either is actually aware or should have been aware under the circumstances with the exercise of reasonable care, due diligence and competence in discharging its duties under this Client Guide and the Program Documents. All matters of public record shall be deemed to be known by the Client. Any representation or warranty that is inaccurate or incomplete in any material respect is presumed to be made with the Client's knowledge.

MAI'S DISCRETION - Whenever any provision of this Client Guide requires MAI to make a determination of fact or a decision to act, or to permit, approve or deny another party's act, such determination or decision shall be made in MAI's sole and absolute discretion.

410.03 Definitions

The following more explicitly describe some of the terms used in this Client Guide:

Agency Fannie Mae or Freddie Mac quasi-governmental agencies which purchase mortgage loans into the secondary market.

Client The entity which entered into the Client Contract with MAI. The Client Contract incorporates this Client Guide by reference.

Client's Application All of the forms which Client completed and submitted to MAI which were used by MAI in its decision to enter into the Client Contract.

Funding Date The date that MAI disbursed proceeds to purchase a loan from the Client or in the event of a table funded loan, the date on which the loan proceeds were disbursed to the borrower .

Loans or

Mortgage Loans The residential mortgage loans that Client delivers to MAI. Such loans may be closed in either the Client's name or MAI's name. The loans are either purchased by MAI from Client, or table funded by MAI.

Mortgage Depending on the context used, Mortgage either means the Loan, or the security instrument (mortgage, deed of trust, deed to secure debt) which is filed in the real estate records to secure repayment of the promissory note.

Mortgaged Property The property securing the mortgage loan.

Mortgagor The person signing the mortgage. More commonly referred to as the borrower.

Note The promissory note that the borrower executes at loan closing.

Program Documents Collectively: (i) the various loan program descriptions contained in this Client Guide, (ii) guidelines as contained in MAI's pricing or rate sheets, (iii) underwriting disposition sheets given by MAI to Client for each Loan, and (iv) Announcements as issued by MAI from time to time.

MAI Mortgage Assurance Inc., a Georgia Corporation, located at 1200 Ashwood Parkway, Suite 580 Atlanta, Georgia 30338

420 Borrower Ability to Repay Requirements

MAI Mortgage will not offer a loan without having reasonably determined based on the documents and information provided below, that the applicant will have the ability to repay the loan in accordance with the loan terms and conditions by final maturity at the fully indexed rate, assuming a fully amortized repayment schedule.

- 1) The income of the applicant, and
- 2) The fixed expenses of the applicant – any debt obligations, revolving charge accounts, alimony payments, child support payments, payments under a separate maintenance agreement, housing association fees and property taxes and hazard insurance on the property to be mortgaged, whether or not the property taxes and hazard insurance are required to be escrowed.

When performing the required income verification, MAI Mortgage will only verify the income that the applicant chooses to rely upon to repay the offered loan.

MAI Mortgage may consider and document supplemental information provided by the applicant, in addition to income, that demonstrates that the applicant has the ability to repay the offered loan, provided the supplemental information is reasonably related to the applicant's ability to repay.

MAI Mortgage will not primarily rely upon the sales or refinancing of an applicant's collateral in determining an applicant's ability to repay an offered loan.

MAI Mortgage will not ignore facts or circumstances that it knows or reasonably should know which would indicate the applicant does not have the ability to repay the offered loan.

An applicant is presumed to have the ability to repay an offered loan if the offered loan has one of the following characteristics:

- Is insured by the Federal Housing Administration
- Is guaranteed by the US Department of Veterans Affairs
- Is originated or approved for purchase by the PA Housing Finance Agency
- Is subject of written findings by a HUD approved counseling agency that there is a reasonable expectation the borrower will be able to repay the offered loan

Loans with balloon payments

A balloon payment is defined as a scheduled loan payment that is more than twice as large as the average of earlier scheduled monthly payments. For an offered loan with a balloon payment, MAI Mortgage

- May consider the sale or refinance of the applicant's collateral when evaluating an applicant's ability to make the balloon payment.

- Must base the fully amortized payment schedule on the full term the borrower chooses when calculating the amortization period for a loan containing a borrower option for an extended amortization period.
- Must consider the due date of the balloon payment and if there is a reasonable expectation the applicant will have sufficient equity in the property to make the balloon payment through a sale or refinance of the residence.

In addition, if MAI Mortgage makes or offers a reverse mortgage to an applicant MAI Mortgage is not required to comply with the ability to repay requirements.

