

Correspondent Approval Policy

OVERVIEW:

Paramount Residential Mortgage Group, Inc. (herein PRMG)'s Correspondent relationships are defined as entities that specialize in loan originations; *i.e.* taking applications; ordering credit, ordering appraisals and title; processing loan applications; credit decisioning loan files (if approved as a delegated correspondent) and closing. All Correspondents must be approved before loans are purchased in accordance with the policies and procedures set forth herein. At this time PRMG is in the process of testing and developing a Delegated Channel. Changes will continuously be made to this policy throughout that process.

CORRESPONDENT CRITERIA:

The Correspondent must meet the following criteria:

- Be properly Lender licensed and authorized to originate and close residential mortgage loans that meet the Company's product line and underwriting requirements.
- Have been in business for at least three (3) years unless principals have meaningful experience in mortgage lending. In cases of newer firms or start-up firms, principals should have at least three - five years' experience in mortgage lending.
- Maintain at all times a minimum tangible net worth equal to fifty thousand dollars and no cents (\$50,000.00), which may vary according to state requirements and warehouse line minimum standards, as verified with financial statements. For Delegated-Correspondent approved clients must maintain a minimum tangible net worth of equal to the greater of five hundred thousand dollars (\$500,000.00) or as required by state law and warehouse line minimum standards.
- Have a "good standing" rating with all governmental licensing and public records must be clear of any civil or criminal judgments. A Correspondent whose firm has been suspended, or is currently under investigation by any agency must be reviewed by General Counsel and may not be approved or may not be renewed to do business with the Company.
- All Corporate owners, officers, and/or the Correspondent of Record must have a minimum credit score 620. Past credit difficulties will be reviewed on a case-by-case basis. A letter from the Officer/Partner/Correspondent explaining the derogatory item(s) will be required.
- Satisfactory Comergence Third Party Monitoring review.

DOCUMENTATION REQUIREMENTS:

The Client Services Department is responsible for reviewing and approving the Correspondent Application. Documentation needed to support the Correspondent approval may vary, but in all cases the following items are required from applicants for review and evaluation by the Department.

Non-Delegated Correspondent

- Completed Correspondent Application package signed by required parties.
- Most recent interim financial statements signed by Chief Financial Officer, Accountant or Principal
- Last 2 years' federal income tax returns
- Resumes for three Company Officers
- Corporate Resolution, signed by Corporate Secretary authorizing this application
- Articles of Incorporation/Organization

- E&O Insurance (minimum of \$300,000) and Fidelity Bond Coverage (minimum of \$300,000)
- Pre and/or Post-Closing Quality Control policies and procedures
- Borrower privacy policy
- Authorization to Release Information form
- Fax/Email Authorization form
- Zero Loan Fraud Agreement
- Completed IRS Form W-9 certifying the employer identification number (N/A if provided in Wholesale Approval)
- Warehouse line approval
- MERS approval and corresponding MIN number
- FHA Principal/Agent agreement/addendum if applicable and FHA approval
- VA addendum (rev date 01/01/2014) if applicable and VA Lender approved
- PRMG Loan Purchase Agreement unaltered and executed
- Loan Correspondent Compensation Certification

Delegated Correspondent

The Client Services Department will require **additional documentation** for the Delegated Correspondent clients. These items are required in addition to the Non-Delegated documentation:

- Most recent two years of audited financials by a third party independent firm
- Appraisal Independence Requirements policy and procedures
- Compliance Management and Fair & Responsible Lending Policy
- Pre and post recent QC audit results
- Copies of recent investor approvals and most recent score cards
- Organizational Chart reflecting the names and functional titles of key staff members
- Delegated Correspondent Addendum

COMERGENCE PROCESSING

Upon the Correspondent's completion of the Comergence application online, the Client Services' staff executes the following verifications and searches through Comergence on all principals, entities and DBAs:

- A. NMLS ID verified (Company and Individuals)
- B. State and Federal Civil & Criminal Filings (Last 7 years)
- C. HUD Limited Denial Participation List (LDP)
- D. HUD Approval Verification
- E. Office of Foreign Assets Control (OFAC)
- F. Excluded Parties List System (EPLS)
- G. Mortgage and Financial Sanctions (Last 7 years)
- H. FINRA Correspondent Check Report
- I. SSN identity verification
- J. Secretary of State status (Domestic State) is verified for all appropriate entity types (where publicly available)
- K. All state licenses (where publicly available)
- L. DBA/Fictitious business names provided by the TPO

Additional reviews of the following information are obtained from a merged credit report(s):

- A. Judgments & Tax Liens
- B. Bankruptcies
- C. UCC Liens

The report is a merged credit profile based on business and personal credit references. This information is provided through Experian. All information above is monitored by Comerence on an ongoing basis.

Any document obtained or supplied by the Correspondent is viewable to PRMG via the on-line portal supplied by Comerence.

CORRESPONDENT PACKAGE REVIEW

Upon the completion of the Correspondent's application in Comerence, PRMG is notified of a "pending approval". At this time the Client Services department will conduct a thorough review of the submission package. If any deficiencies exist a representative of Client Services will "Suspend" the Package for further information from the Correspondent. If supplemental documents are needed, the Account Executive will be responsible for obtaining these documents and submitting them to Client Services for review. Any Correspondent package that falls outside of the minimum standards required by PRMG will be elevated to Management for review and decisioning. A satisfactory MARI report may be required at this time depending on the circumstances of the review. All Correspondents will be advised of the Company's final decision in writing. Once a package is approved or declined within the Comerence system an email is generated by Comerence to the Correspondent as well as the Account Executive. PRMG will also generate an email with the Correspondent's Approval Letter and system sign up instructions.

AUTHORITY AND ESCALATION PROCESS

In accordance with this Policy, which may be amended from time to time, items requiring Management approval are noted below.

- (i) Principals or officers that do not meet the minimum credit score requirement.
- (ii) Having an HUD FHA compare ratio that exceeds 150%.
- (iii) Having a Correspondent that has been in business for less than three (3) years.
- (iv) Companies not meeting the minimum Financial requirements

LOAN SUBMISSION QUALITY CONTROL AND COMPLIANCE REVIEW

All new Correspondents will be placed on a "New" status. This status indicates that 100% of all loan submissions must have a Quality Control review prior to docs. All loan files submitted by a "New" Correspondent will be reviewed by the Quality Control Department to determine the integrity of the loan files submitted. The Quality Control review will result in a "Pass" or "Fail" determination. All loans must be rated as a "Pass" and will be "Purchased" by the Investor without issue.

Once PRMG has reviewed a minimum of 3 (three) loan files and we have had no QC "Fail" issues or "Purchase" issues the Quality Control Department may place the Correspondent on an "Approved" status which eliminates the need for 100% QC review. This process is executed and controlled entirely by the PRMG Quality Control Department.

MONTHLY MONITORING/SURVEILLANCE

Comerence maintains an online database and surveillance system for all Correspondents. Surveillance includes constant monitoring of licenses in each state that the Correspondent is conducting business. This includes any changes to the Correspondent's company structure, employer identification number (EIN), or dissolution of entity. Also, PRMG relies on the Mavent Compliance Engine to ensure no loan funds with a Correspondent or Loan Originator that has a terminated, suspended, or lapsed license.

Comerence also monitors the Experian credit performance for two principals and incorporates the business credit on an ongoing basis.

Licenses and credit are updated monthly, or as often as the information is available. If any negative changes occur on any of these items, PRMG is notified via the Scorecard Tab in the Comerence portal, as well as via Email to PRMG's designated Comerence Administrator(s). Any Correspondent who has a negative rating or status with the State or the Regulatory agency for that particular state will be reviewed and deactivated promptly.

ANNUAL RECERTIFICATION

In order for the Department to ensure all approved Correspondents maintain the standards set forth above, an annual recertification will be required. The annual recertification will consist of verifying or obtaining the following:

1. Correspondent Questionnaire and Certification;
2. Current Licensing Status via NLMS;
3. Current Financial Statements (most recently audited for Delegated Clients) within 90 days of fiscal year end verifying that the minimum required net worth is maintained;
4. AML Certification;
5. Fully executed W9 Statement (unless no changes);
6. Properly executed Corporate Resolution (unless no changes);
7. Updated Ownership Information and Organization Contacts (unless no changes);
8. Warehouse status and approval, compliance with all warehouse covenants;
9. EPDs on loans purchased by PRMG
10. Most Recent QC results (Delegated only)
11. Updated Investor Scorecards (Delegated only)

Correspondents not meeting the minimum requirements at time of recertification will be elevated to Management for review and Approval or Deactivation. The Account Executive will be notified of Correspondents failure to meet standards and may wish to provide Management with additional information on behalf of the Correspondent.