



POLICY ON MORTGAGE LOAN FRAUD

Paramount Residential Mortgage Group, Inc. ("PRMG") does not tolerate fraud or misrepresentation in a mortgage loan transaction. The correspondent is responsible for the content and quality of each application taken and each loan submitted to PRMG. The submission of a loan application containing information that is false or misrepresented is a federal crime. Evidence of loan fraud of any type will result in the immediate termination, for cause, of the correspondent relationship with PRMG.

Types of Loan Fraud:

1. Submission of inaccurate information, including false statements on a loan application and falsification of documents purporting to substantiate credit, employment, deposit and asset information; personal information including data related to identity; ownership / non-ownership of real property, etc.
2. Forgery of any information, including partially or predominantly accurate information, including forged signatures on any document(s) in the loan file.
3. Incorrect statements regarding current occupancy or intent to maintain minimum continuing occupancy status as stated in the loan application.
4. Lack of due diligence by correspondent / loan officer / interviewer / processor, including failure to obtain all information required in support of the application and failure to request further information as dictated by Lender or by Borrower's responses to other questions.
5. Unquestioned acceptance of information or documentation, which is known, should be known, or should be suspected to be inaccurate.
6. Simultaneous or consecutive processing of multiple owner-occupied loans from one applicant on multiple properties, or from one applicant supplying different information on each application.
7. Allowing an applicant or interested third-party to "assist" with the processing of the loan.
8. Nondisclosure of relevant information to anyone involved in the loan process (e.g., lender, title company, etc).

Consequences to PRMG:

The effect of loan fraud is costly to all parties involved. PRMG stands behind the quality of its loan production. Fraudulent loans cannot be sold into the secondary market, and if sold, will require repurchase. Fraudulent loans damage our reputation with our investors and mortgage insurance providers. The cost to parties who participate in loan fraud is even more costly. Following are a few of the potential consequences that may be incurred:

Consequences to Correspondent / Loan Officer / Salesperson / Employee:

1. Criminal Prosecution.
2. Loss of Real Estate License.
3. Loss of lender access due to exchange of information between lenders and submission of information to investors (including FHLMC/FNMA) law enforcement agencies, and the Department of Real Estate.
4. Civil action by lender.
5. Civil action by applicant / borrower / other parties to the transaction.
6. Loss of approval status with lenders.
7. Termination of employment.
8. Revocation of professional license, if any.

Consequences to Borrower:

1. Acceleration of debt (FNMA / FHLMC Deed of Trust revised 9/90, Item #6 states: "Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to lender (or failed to provide lender with any material information) in connection with the loan evidenced by the note including but not limited to representations concerning Borrower's occupancy of the property as a principal residence." NOTE: Foreclosure under this section of the Deed of Trust does not require that the Borrower be in "payment default". As such, the Borrower will not have the benefit of reinstatement. In order to cure the default, the Borrower must pay off the loan in full prior to the sale date of the property.
2. Criminal Prosecution.
3. Civil action by lender.
4. Civil action by other parties to the transaction.
5. Adverse effect on credit history.

Acknowledgement: I have read the foregoing and understand PRMG's position on loan fraud and understand the consequences to our company if involved in loan fraud in any way.

Principal: _____

Signature: _____

Principal Title: _____

Date: ____/____/____