KEYSTONE BROKER GUIDE

Version Date: July 28, 2026

EQUAL HOUSING LENDER

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Contract

Keystone Funding, Inc.'s ("Keystone") Wholesale Broker Guide (the "Guide"), in conjunction with the Mortgage Broker Agreement executed between Keystone and Mortgage Broker (the "Agreement"), regulates the business association and all loan transactions between Keystone and the Mortgage Broker (hereinafter "Mortgage Broker or

Broker"). This Guide outlines the specific terms and provisions for submitting loans to Keystone. All loans submitted to Keystone ("Loan" or "Loans") must adhere to the conditions specified in the Agreement, applicable program/underwriting guidelines, and this Guide (collectively referred to as the "Program Documents").

Program Documents also include any addendum, certification, or acknowledgment required by Keystone and executed or electronically accepted by Broker.

Contractual Obligations of the Broker

Broker shall comply with the Program Documents then in effect for the applicable Loan and with all ongoing broker-level eligibility, operational, compliance, information-security, reporting, audit, record-retention, and cooperation requirements then in effect.

Subject to the Agreement, Keystone may amend, supplement, replace, or restate this Guide and any program or underwriting guidelines from time to time in its sole discretion without obtaining any additional signature or acknowledgement from Broker. Keystone will provide notice of each modification and its effective date by email to Broker's designated email address. Unless the notice states otherwise, notice will be provided at least three (3) business days before the stated effective date. Notice is effective when transmitted, as reflected in Keystone's server records, unless Keystone receives a delivery-failure notification. Keystone may establish a shorter or immediate effective date when it determines in its sole discretion that the change is required or appropriate because of applicable law; a regulatory, agency, investor, insurer, guarantor, purchaser, or servicer requirement; market conditions; operational necessity; fraud prevention; or safety-and-soundness considerations.

Unless the notice states otherwise, a modification to loan-level terms or remedies applies to Loans first locked on or after the stated effective date. A Loan subject to a valid lock before the effective date remains governed by the Program Documents applicable on the original lock date. A registered but unlocked Loan is governed by the Program Documents in effect when it is locked. If a lock expires or is cancelled and the Loan is later relocked, the Program Documents in effect on the relock date apply. A lock extension that does not constitute a new or relocked commitment does not, by itself, change the applicable version. Ongoing broker-level requirements may apply on the effective date stated in the notice. By requesting or accepting a rate lock on or after the effective date, Broker agrees that the Loan is governed by the then-applicable Program Documents. If Broker does not accept a modification, Broker may elect not to submit or lock new Loans with Keystone. Nothing in this paragraph limits a change that applicable law or an agency, insurer, guarantor, purchaser, investor, or servicer requires Keystone to apply to an existing Loan.

Defined Terms: General Rules of Interpretation

Terms defined herein may be employed in singular or plural forms, contingent on the context. The term "or," unless explicitly necessitated by the context, is deemed to carry the comprehensive sense represented by the expression "and/or." The terms "include," "includes," and "including" are to be understood as being followed by the phrase "without limitation." Capitalized terms herein shall have the same meaning outlined in the Agreement to the extent not otherwise defined herein.

Headings for Convenience

All captions or paragraph headings in the Program Documents are for convenience only and in no way define, limit, or describe the scope or intent of any provision in the Program Documents.

Keystone’s Sole Discretion

Whenever any provision of the Program Documents requires or allows Keystone to act in its discretion or to make determinations of fact or decisions to act, permit, approve, or deny another party’s action, such determination or decision shall be made at Keystone’s sole discretion.

Keystone’s Sole Opinion

Whenever any provision of the Program Documents requires or allows Keystone to determine its opinion, such determination shall be made at Keystone’s sole discretion.

Broker Guide Online

The then-current version of this Guide, together with an archive of prior versions and their effective dates, will be made available to Brokers at https://keystonebroker.com/broker-forms/. The current online version governs new locks and ongoing broker-level requirements as of the applicable effective date; the archived version identified as applicable to a previously locked Loan governs that Loan.

Relationship of Parties

This Guide, along with any affiliated marketing or similar materials, does not establish or imply that Keystone is to act as a financial or business advisor or consultant to the Broker, assume control over the Broker or their operations, create any fiduciary duty on the part of Keystone towards the Broker, or create any joint venture, agency, partnership, or other relationship between Keystone and the Broker. The Broker recognizes that they have had the opportunity to seek guidance from their own chosen legal counsel regarding the negotiation and execution of the Agreement and the review of this Guide. The Broker also acknowledges their familiarity with the transactions described in this Guide and confirms that their decisions regarding the Program Documents and any associated transactions were made independently.

Broker Responsibilities

The Broker is responsible for the performance of requirements and obligations contained in this Guide and the Program Documents, even if the Broker relies on a third party to perform the requirement or obligation.

Discretionary Relationship

Broker is not compelled to submit Loans to Keystone. Similarly, Keystone is not obliged to accept Loans from the Broker unless both parties have formally agreed to deliver and accept specific Loans through a separate binding commitment.

Confidentiality

Through its association with Keystone and access to the Program Documents, the Broker will become acquainted with various trade secrets, confidential and exclusive methods, techniques, processes, applications, approaches, products, programs, policies, practices, and procedures in multiple forms, all of which are employed or beneficial in Keystone's business operations, including the origination, sale, and servicing of mortgage products (collectively referred to as "Confidential Information"). The Broker acknowledges that this Confidential Information belongs exclusively to Keystone.

The Broker is obligated to (1) safeguard such Confidential Information using at least the same degree of care it employs to protect its own confidential information, and (2) refrain from directly or indirectly disclosing, publishing, unveiling, disseminating, or otherwise making the Confidential Information available to any party, irrespective of the status of its relationship with Keystone, unless compelled to do so by applicable law. If the disclosure of Confidential Information becomes necessary due to regulatory requirements or oversight of any aspect of the Broker's business, the Broker must (a) formally request that the information be handled confidentially and (b) (i) promptly notify Keystone in writing of the mandatory disclosure upon receiving notice of such, to the extent allowed by law, (ii) only reveal the portion of the Confidential Information that is legally mandated, and (iii) collaborate with Keystone to restrict the nature and extent of the mandated disclosure.

Eligibility

Broker Eligibility

Keystone will review all applications for approval of Brokers. Brokers in good standing, upon approval, will have the opportunity to engage in Keystone's loan programs. To attain approved broker status, an applicant must fulfill, at the very least, the eligibility standards set by Keystone, obtain approval after submitting a completed application from Keystone, and execute the Agreement from Keystone.

To sustain eligibility for participation in Keystone's loan programs, the Broker must adhere to all relevant terms specified in the Program Documents.

Eligible States

Keystone Funding maintains a list of eligible states at https://keystonebroker.com/state-licenses/.

Broker Obligations

To maintain eligibility, the Broker must have an active status with Keystone during the previous calendar year, uphold the initial or presently effective eligibility standards, and adhere to the ongoing responsibilities outlined in the Program Documents, as applicable. Furthermore, at its discretion, Keystone retains the right to modify any or all ongoing eligibility standards for a Broker, considering various factors such as the Broker's current financial stability, volume, track record, and license and background checks. Keystone reserves the right to terminate the partnership with the Broker at its sole discretion, regardless of the Broker's eligibility under other circumstances.

Reporting Requirements

Upon Keystone's request, Broker shall furnish fiscal year-end or interim financial statements, certifications, and other information bearing on Broker's financial condition, ownership, management, structure, business operations, or compliance in a form acceptable to Keystone. The Broker is obligated to promptly inform Keystone of any significant alteration in the Broker's situation, whether financial or otherwise, including, but not limited to, changes in the Broker's ownership.

Mailing Address

All correspondence to Keystone should be directed to: Keystone Funding, 519 S. Red Haven Lane, Dover, DE 19901, Attention: Broker Approval Department.

Audit

The Broker consents to permit Keystone to conduct audits or inspections, with a notice of no less than five (5) business days, at one or more of the Broker's offices during regular business hours. During this visit, the Broker must provide the support of competent and accountable personnel and grant Keystone entry to all books, records, and files related to the Broker's adherence to the Program Documents.

Disclosure of Information

At Keystone's request, the Broker will reveal details concerning the Broker's origination history. The Broker also consents to Keystone disclosing such information to investors, rating agencies, credit enhancement providers, or any other entity requiring the information for purposes associated with Keystone's secondary marketing activities. The Broker releases and agrees to indemnify Keystone and any insurer or entity that makes such disclosures as described above, from any claims or liabilities linked to such disclosure.

Record Retention

The Broker must retain sufficient records of all Loans submitted to Keystone for the necessary duration to comply with applicable federal and state regulations. Keystone retains the right to review any and all records pertaining to Loans governed by the Agreement and the Program Documents. These records must encompass the individual Loan file, all relevant accounting reports, and any additional reports, data, information, and documentation that Keystone, at its discretion, deems necessary to ensure the Broker's adherence to Keystone's requirements. The Broker must fulfill a records request within 15 days of the request and reproduce all records at their own expense, regardless of whether these records are in paper or another format.

Both state and federal laws recognize electronic images meeting specific standards as legally equivalent to paper documents. Keystone's criteria for document accessibility and retention apply uniformly to both paper and electronic documents. The Broker is responsible for ensuring that any electronic documents utilized satisfy all legal standards and must possess suitable storage, retrieval, and backup systems for such electronic documents. Upon request, the Broker must furnish Keystone with information regarding the methods employed for document and records storage and must convert the documents and records to a different format if requested by Keystone.

The Broker is required to maintain an individual Loan file for each Loan submitted to Keystone. Each file must contain the following:

- Copies of all documents submitted to Keystone in their original form.
- All other loan and related documents not mandated for submission to Keystone.

Changes that require notification to Keystone Funding

Before the occurrence of any of the subsequent events, the Broker is required to inform Keystone:

Any alterations in the Broker's business address, phone number, or changes in company ownership or control structure.

Any notable increases or decreases in capital or changes in management instructed or mandated by a regulatory authority supervising or licensing the Broker.

The departure of any senior management overseeing the origination or processing operations.

The entry of any court judgment or regulatory order demanding the Broker to settle a claim or claims that could significantly impact the Broker's financial status.

The cessation or dissolution of the Broker's business. Upon receiving this written notice, Keystone will contact the Broker if additional documentation is needed. Keystone retains the right to temporarily halt further business with the Broker while assessing the impact of the change on the Broker's qualifications. Failure to notify Keystone of any such change may lead to termination, disqualification, suspension, deactivation, or other remedies accessible to Keystone under the Program Documents.

Representations, Warranties & Covenants Concerning Broker

The Broker acknowledges that Keystone relies on the accuracy, thoroughness, and integrity of the Broker's representations, warranties, and covenants set forth herein and the Broker's adherence to the terms and conditions stated in the Program Documents.

Broker is accountable for breaches of its representations, warranties, and covenants and for the acts and omissions of its owners, officers, directors, employees, loan originators, processors, contractors, agents, and controlled affiliates to the extent provided in the Program Documents. Keystone's knowledge, investigation, underwriting, quality-control review, purchase, or sale of a Loan does not waive a breach unless Keystone expressly waives it in writing. The Broker shall comply with Keystone's DU/LPA schedule when utilizing the DU or LPA system, and Keystone may request additional written representations, warranties, or covenants that are consistent with the Agreement and this Guide.

Licensing, Due Organization, Good Standing

The Broker is currently and will remain duly organized, properly established, validly operational, and in favorable standing in accordance with the laws of the United States and each state where the Broker is incorporated, chartered, organized, and conducting business. The Broker, along with each employee, officer, and agent, where applicable:

Has acquired and will continue to possess all necessary federal, state, and local licenses, registrations, and certifications essential for business operations, maintains and will continue to maintain a valid license, qualification, and good standing in compliance with the laws of the United States and each state where a mortgaged property and/or borrower is situated, as appropriate. Will uphold good standing with state and federal authorities to the extent necessary for ensuring the enforceability of all Loans and has not factored in any "de minimis" licensing or registration exemptions when submitting any Loans to Keystone. The Broker has divulged to Keystone in writing all conclusive written reports, actions, and penalties from federal and state agencies and instrumentality reviews, investigations, examinations, audits, actions, and penalties conducted or enforced within two years before the Agreement's effective date. Unless specifically disclosed to and approved in writing by Keystone, the Broker is not operating under any form of agreement or order (including, but not limited to, a supervisory agreement, memorandum of understanding, cease and desist order, capital directive, supervisory directive, and consent decree) with any federal or state government agency, licensing, banking, or regulatory authority, and the Broker complies with all financial or regulatory standards imposed by any pertinent regulatory authority.

Authority

The Broker currently possesses and will continue to maintain complete power, capacity, and authority, as applicable, to execute and deliver the Program Documents and fulfill its obligations in accordance with their terms. The Broker has undertaken all necessary corporate or partnership measures to validate the Program Documents, ensuring they are legitimate, obligatory, and enforceable upon the Broker in accordance with their terms. This validation is subject to the impact of laws concerning bankruptcy, insolvency, reorganization, receivership, or other laws that may affect creditors' rights and general equity principles that are periodically in effect. The Broker holds a duly authorized status to execute and deliver all documents, instruments, and agreements as required under the terms of the Program Documents, thereby finalizing the transactions outlined by the Program Documents. The Program Documents serve as legal evidence of the Broker's lawful, valid, binding, and enforceable commitments.

No Conflicts

The Broker's execution and submission of the Agreement, along with the fulfillment and adherence to the terms and conditions of the Program Documents, will not lead to any conflicts or breaches of the provisions within the Broker's articles of incorporation, charter, by-laws, partnership agreement, or any other organizational document. Furthermore, it will not violate any legal constraints, regulatory directives, agreements, or instruments the Broker is currently engaged in or bound by. These actions by the Broker will not constitute a default or trigger acceleration under any of the previously mentioned agreements, nor will they result in the contravention of any laws, rules, regulations, orders, judgments, or decrees that apply to the Broker or any of its assets.

Ability to Perform

The Broker can perform each and every obligation contained in and satisfy each and every requirement imposed on the Broker in the Program Documents and this Guide. No offset, counterclaim, or defense exists to the Broker’s full performance of the Program Documents.

Properly Licensed

Mortgage Broker is properly licensed, or is exempt from licensing, and is qualified to do business in all jurisdictions where it originates Loans, where it conducts the activities contemplated by this Agreement and where its business or operations otherwise require such qualification, and is in full compliance with the Secure and Fair Enforcement for Mortgage Licensing Act, 12 U.S.C.§§ 5101 et seq., to the extent applicable. Mortgage Broker has obtained and shall maintain in good standing all lender's and/or mortgage broker's licenses to originate first and/or subordinate lien residential mortgage loans, filings, permits, foreign qualifications, business licenses and other licenses as may be required by applicable, federal, state or local laws, rules or regulations. Copies of all lenders' and/or mortgage brokers' licenses held by mortgage brokers and that authorize mortgage brokers to engage in the business of mortgage brokering residential mortgage loans have been, and renewals will be provided to Keystone, as reasonably requested by Keystone.

Mortgage Broker shall promptly notify Keystone of the cancellation, renewal, or issuance of any lender's and/or Mortgage Broker's licenses to Mortgage Broker and shall, upon receipt, promptly provide a copy thereof to Lender.

No Adverse Action

Broker has not been issued any administrative order, Cease and Desist decree, or been the subject of regulatory action. Broker shall immediately advise Keystone in writing of any inquiry, material complaint or pending or threatened action, by way of a proceeding or otherwise, to revoke or limit any license, permit, authorization or approval issued or granted by any federal, state or local government or quasi- governmental body, or any agency or instrumentality thereof, necessary for Broker to conduct business, or to impose any penalty or other disciplinary sanction in connection therewith, or any other sanction that would materially affect Broker's business. The Broker is obligated to promptly notify Keystone in writing of any ongoing or impending adverse action or any pending or anticipated measures to revoke or restrict any license, permit, authorization, or approval issued or granted to the Broker by any federal, state, or local government or quasi-governmental body, or any agency or instrumentality thereof. This requirement applies if such permissions are vital for the Broker to conduct its business and if there is an intention to impose any penalty or disciplinary action on the Broker or any other sanction that could significantly impact the Broker's business.

No Consent Required

The Broker's execution and performance of, and compliance with, the Program Documents 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 Broker has obtained such unconditional approval before the related funding date.

No Untrue Information

No representation, warranty or written statement made by Broker to Lender in any schedule, written statement or document furnished to Lender in connection with the transactions contemplated hereby contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

Origination

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

Compliance with Laws

Broker has complied, and shall comply, both in the conduct of business generally, and in its origination of each mortgage Loan, with all federal, state and local laws and regulations, including, without limitation upon the generality of the foregoing: the federal Equal Credit Opportunity Act and its implementing Regulation B (collectively, "ECOA") (including without limitation its requirements relating to nondiscrimination); the Truth in Lending Act and its implementing Regulation Z (collectively, "TILA") (including, without limitation, (a) the TILA Compensation Rule and, (b) those provisions of Regulation Z derived from and relating to the rule governing Integrated Mortgage Disclosures under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z) (the "TRID Rule")); the Real Estate Settlement Procedures Act and its implementing Regulation X (collectively, "RESPA") (including, without limitation, those provisions of Regulation X derived from and relating to the TRID Rule); and state and local laws and regulations governing mortgage lending and mortgage brokerage.

Broker represents and warrants that no mortgage Loan is a High-Cost Loan as that term is defined by the Home Ownership and Equity Protection Act ("HOEPA") or similar federal, state or local law, and the mortgage Loan does not fall into any other classification under state law which is not eligible for purchase. Broker further represents and warrants that it and its employees are properly licensed or registered in all jurisdictions where required for the origination of mortgage Loans as provided for in this Agreement and agrees to maintain all applicable licenses, registrations, and approvals in good standing during the term of this Agreement.

Compliance with Programs

Documents and Guide

The Broker has complied with and will continue to comply with all relevant provisions outlined in the Program Documents and this Guide. Additionally, the Broker will promptly inform Keystone of any incident, action, or failure concerning the Broker, the Loan, the mortgaged property, or the Mortgagor that might significantly impact the Broker, the Loan, the mortgaged property, or the Mortgagor. Broker shall furnish to Keystone and its representatives any necessary information and data concerning the affairs of Broker, as Keystone may reasonably request, including, without limitation, information regarding the status of its licenses, permits, authorizations, and approvals necessary for the conduct of its business, as well as copies of such documents. Broker shall furnish, upon request by Keystone in its sole discretion, such other information bearing upon Broker's financial condition as Keystone may reasonably request. Upon request of Keystone, Broker shall promptly provide Lender with all documents and records requested by Keystone that evidence Broker's compliance with the Program Documents, applicable law, and applicable investor requirements.

No Defenses

Broker represents and warrants as of the Effective Date and continuously thereafter that no judgment, court order, claim, counterclaim, defense, right of setoff, or similar right exists against Keystone, except as disclosed to Keystone in writing. Broker shall promptly notify Keystone if this representation becomes inaccurate. Each submission, registration, or rate-lock request by Broker constitutes a reaffirmation of this representation as of that date.

Representations/Warranties by Broker Regarding Individual Loans

Broker hereby makes the following representations, warranties, covenants, and all other representations, warranties, and covenants found elsewhere in this Guide to Keystone as to each Loan.

Mortgage Loans as Described

No document, report, data, or material furnished to Keystone 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.

No Redemption

The Mortgaged Premises are not subject to a redemption period by a previous owner under applicable state law.

Appraiser Independence Requirements

The appraisal report, the appraiser, and AMC, in each case, satisfy the requirements of all (i) laws; (ii) regulations; and (iii) "Agency" requirements or guidelines (e.g., Fannie Mae, VA, Ginnie Mae, Freddie Mac, FHA, HUD, (each an "Agency")) applicable to a Loan secured by the Mortgaged Property, including, without limitation, any applicable requirement of Title XI of the Federal Institutions Reform, Recovery and Enforcement Act of 1989 and the regulations promulgated thereunder, all as in effect on the date the application is submitted to Keystone (it being understood that the reference to each Agency serves only to identify the Agencies and shall not be construed to suggest that any Agency program or specific Loan presented thereunder, in each case, qualifies for loan origination or registration as an Eligible Loan, in each case, pursuant to this Agreement). (2) The appraisal report with respect to the Mortgaged Property was signed prior to the approval of the application by a qualified appraiser, duly appointed by Broker, who had no interest, direct or indirect, in the mortgaged property or in any Loan made on the security thereof, whose compensation is not affected by the approval or disapproval of such Loan application, and who was independent of the borrower. (3) The appraisal was conducted by an AMC approved by Keystone and consistent with applicable provisions of the Program Documents. Broker must request appraisals through the Keystone Funding FLEX Portal.

Origination Compliance/Anti-Steering

Broker has complied, and shall comply, both in the conduct of business generally, and in its origination of each Loan, with all applicable laws ("Laws"), including, without limitation upon the generality of the foregoing, the Equal Credit Opportunity Act ("ECOA") and Regulation B, including without limitation its requirements relating to nondiscrimination; the Truth-in-Lending Act, and Regulation Z; RESPA and Regulation X; the Bank Secrecy Act and

31 CFR Chapter X; the Fair Housing Act; the Gramm-Leach- Bliley Act; the S.A.F.E. Mortgage Licensing Act and Regulations G and H; the Mortgage Acts and Practices-Advertising and Regulation N; the Fair Credit Reporting Act; and all applicable state and local laws and regulations governing mortgage lending and mortgage brokerage (including New York Executive Law Section 296-a if applicable). Broker represents and warrants that no Loan, (i) is a High-Cost Loan as that term is defined by the Home Ownership and Equity Protection Act ("HOEPA"), (ii) is a high-cost loan under any similar federal, state or local law, or (iii) falls into any other classification under state law which is not eligible for purchase. Broker represents and warrants that it, and its mortgage loan originators, are properly licensed or registered in all jurisdictions where required for the origination of Loans as provided for in this Agreement and agrees to maintain all applicable licenses, registrations, and approvals in good standing during the term of this Agreement.

Broker further represents and warrants that it shall not engage in any unfair, deceptive, or abusive acts or practices. Broker has not used and shall not use any affiliated vendors without disclosure of such relationship and the express written authorization by Keystone.

Mortgage Broker has complied with the anti-steering provisions of Regulation Z, 12 C.F.R. § 1026.36(e), the related Official Staff Commentary and any amendments thereto. Mortgage Broker presented Applicant with sufficient information to satisfy the safe harbor (anti-steering) provision which includes Mortgage Loan options for each type of transaction in which Applicant expressed an interest and the Mortgage Loan options included (1) a Mortgage Loan with the lowest interest rate, (2) a Mortgage Loan with the lowest interest rate without negative amortization, a prepayment penalty, interest-only payments, a balloon payment in the first seven years, a demand feature, shared equity or shared appreciation, and (3) a Mortgage Loan with the lowest total dollar amount of origination points/fees and discount points. The Mortgage Loan options presented to the Applicant were obtained from a number of lenders with which the Mortgage Broker regularly does business, and for each option presented, the Mortgage Broker had a good faith belief that the Applicant would likely qualify for the Mortgage Loan presented.

If required by Lender or by applicable laws, rules, or regulations, Mortgage Broker has entered into a written fee agreement with each Applicant. All fees paid to Mortgage Broker, whether by Lender or Applicant, are reasonably related to the value of goods or facilities actually furnished or services actually delivered by Mortgage Broker.

Mortgage Broker has performed services of a type and in the quantity required under applicable law to receive such compensation. Mortgage Broker has disclosed, and shall disclose, such compensation to the Applicant for each Mortgage Loan where such compensation is paid, or is expected to be paid, pursuant to applicable law. No fees of any kind, other than a reasonable credit report fee not exceeding the actual cost of the credit report, have been charged to or collected from Applicant by Mortgage Broker, or any employee or agent of Mortgage Broker, prior to the Applicant's receipt of the initial disclosures from Lender, as required under Regulation Z and Regulation X.

Location and Type of Property

The property is situated in the state specified in the Loan file and, unless otherwise specified in the Program Documents, it comprises a single tract of real estate with either a single-family residence, a 2–4-unit family dwelling, or an individual unit within a planned unit development (PUD) or condominium project. None of the property is utilized for commercial purposes to the extent that experienced and knowledgeable investors engaged in the residential secondary mortgage market would classify the property as commercial rather than residential real estate.

Origination Terms

The person or entity originating the Loan originated and processed the Loan in accordance with the Program Documents. The activities of the Broker with respect to each application shall comply with the Program Documents in all respects. Each registered application was originated by the Broker and not by a third party, and no other party will assert any right to compensation for the origination of the application. All documents, Loan applications, and information and documentation submitted by the Broker in connection with such applications have been prepared and/or completed per applicable law and the Program Documents.

Occupancy Certifications

The occupancy of the Mortgaged Property is as represented to Keystone by the prospective borrower and/or Broker, and the Broker has no reason to believe that such representation of the prospective borrower is no longer true.

Mortgaged Property Undamaged/No Condemnation

The mortgaged property is unaffected by waste, fire, earthquake, earth movement, windstorm, flood, tornado, or any other such incidents that could potentially impact the property's value as collateral for the Loan or its designated purpose. The property is well-maintained, and there are no ongoing condemnation proceedings by any federal, state, or local authority, or any such proceedings that, to the best of the Broker's knowledge, are looming over the property.

No Other Hazards

As far as the Broker is aware, the property is not impacted by Environmental Hazards that are not covered by fire and extended coverage insurance or any other accessible insurance. Environmental Hazards encompass any natural or man-made attributes found within or impacting the property or its surrounding area. These may include, but are not limited to, hazardous wastes, toxic substances, radon gas, asbestos-containing materials, urea-formaldehyde insulation, and sulfur-containing drywall (commonly referred to as Chinese drywall).

Error or Fraud

Broker represents and warrants that neither Broker nor any Broker-Related Person has participated in, had knowledge of, facilitated, concealed, or recklessly disregarded any material fraud, misrepresentation, or omission in connection with a Loan. After performing the diligence and controls required by the Program Documents, Broker has no knowledge of material fraud or misrepresentation by the Borrower or any independent third party. Broker shall not knowingly submit false, incomplete, or misleading information; shall investigate and appropriately escalate or disclose Material Red Flags reasonably apparent from information available to Broker; and shall promptly notify Keystone of suspected fraud or material misrepresentation.

Adverse Selection

The Broker used no adverse selection process or procedures in selecting the Loans to be delivered to Keystone.

Fair Lending/Equal Credit Opportunity Act

To the best of the Broker's knowledge, the Broker and its originators have uniformly treated all borrowers equitably and uniformly. Each borrower has received identical levels of support regarding whether to pursue credit, the best methods for qualifying for credit, and resolving any concerns about creditworthiness and other credit extension procedures. The Broker has adhered to all regulations outlined in the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act.

Mortgage Broker has complied with the fair lending requirements of the FHA and all regulations promulgated pursuant thereto and with all other applicable federal, state, and local laws, rules, and regulations pertaining to fair lending. With respect to each Applicant, Mortgage Broker has not discriminated in the provision of or in the availability of financial assistance because of the consideration of (A) trends, characteristics or conditions in the neighborhood or geographic area surrounding a housing accommodation, unless Mortgage Broker can demonstrate in the particular case that such consideration is required to avoid an unsafe and unsound business practice, or (B) race, color, religion, sex, handicap, marital status, domestic partnership, national origin or ancestry. Further with respect to each Applicant, Mortgage Broker has not considered the racial, ethnic, religious or national origin composition of a neighborhood or geographic area surrounding a housing accommodation or whether or not such composition is undergoing change, or is expected to undergo change, in appraising a housing accommodation or in determining whether or not, or under what terms and conditions, to provide financial assistance.

Fair Pricing Policy

All Loans must comply with the terms of the Broker's Compensation Agreement, as well as Keystone's Lock Policy published on its website at https://www.keystonebroker.com/rates/ and disclosed to Keystone in writing and approved by Keystone in writing, in each case, before the funding of any mortgage Loan.

Broker shall not receive any direct or indirect payment from any person other than as provided in this Agreement with respect to the mortgage Loan, including, without limitation, any payment involving escrow, appraisal, or sale.

Broker's agents, employees, officers, shareholders, members, directors, or similar persons controlling Broker, in each case, shall not have any direct or indirect ownership in any property intended as security for the mortgage Loan being reviewed by Keystone for purposes of purchase.

Prohibited Practices

Broker and its originators have refrained from involvement in any of the following practices concerning Loans submitted to Keystone:

- Encouraging a borrower to default on an existing Loan in conjunction with refinancing all or part of the existing Loan;
- Directly or indirectly financing premiums or fees for single premium credit life, disability, or unemployment insurance products, or any other insurance covering accidents, loss of income, life, or health, using the proceeds of the Loan;
- Engaging in the refinancing of a Special Subsidized Mortgage. A "Special Subsidized Mortgage" denotes a residential mortgage Loan that is originated or subsidized by a state, local, or tribal government or nonprofit organization and which may not require complete repayment under certain circumstances or necessitates only partial payments. Examples include, but are not limited to, a mortgage granted by organizations such as Habitat for Humanity or a local housing authority.
- Agreeing to a prepayment penalty on any product or Loan unless explicitly permitted within Keystone product guidelines.

Responsible Lending/Benefit to Borrower/Capacity to Repay

Broker commits to use their best efforts to guarantee that each Loan provided to a borrower aligns with their requirements, goals, and financial position. For each Mortgage Loan intended to refinance a preceding mortgage Loan, documented, provable evidence exists of a tangible net economic advantage to the borrower. An appropriate evaluation and documentation have been conducted on the borrowers' capability to repay each Mortgage Loan in line with its provisions. Prompt, adequate, and precise information has been furnished to borrowers regarding each Mortgage Loan's terms, expenses, risks, and advantages.

Change in Circumstances

Any changes to fees, costs, or compensation that occur after initial disclosure must comply with Change in Circumstance (CIC) requirements under TRID.

Document Signed Using E-Sign Technology

The Broker hereby asserts and assures regarding the individual Mortgage Loans that as of the origination date of any Mortgage Loan containing Electronic Application Documents signed via E-Sign Technology, the following assertions hold true:

- The process and technology used by the Broker result in an effective, valid, and enforceable borrower signature on the Electronic Application Documents, including the Uniform Residential Mortgage Loan Application (Freddie Mac Form 65) for each Mortgage Loan.

- This process complies with all applicable State and/or Federal laws, rules, and regulations.
- The Electronic Application Documents and Broker's E-Sign Technology fully adhere to the signature, presentment, delivery, Loan file documentation, and retention requirements of all relevant Federal and State laws and regulations.
- The Broker will, except as required by applicable law or regulation, make its best effort to maintain its e-Sign technology in accordance with the Standards and Procedures for Electronic Records and Signatures (SPeRS). The Broker and the Mortgage Loan comply with all eSignatures and eDelivery requirements outlined in this Guide.

Compensation Policy

Brokers are compensated in accordance with the signed Compensation Agreement Addendum to the Broker Application.

Loan Originator Compensation

In compliance with the federal Truth-in-Lending Act (TILA), including 12 CFR 1026.36(d) and (f), as amended, the Broker affirms that, regarding every Mortgage Loan, the following conditions have been met:

- All Loan originators have shown financial responsibility, character, and general fitness to justify a determination that they will operate honestly and fairly. Additionally, they have received periodic training covering Federal and State law requirements applicable to their Loan origination activities.
- All Loan Originators fulfill all qualification requirements based on information obtained from criminal background checks, credit reports, and other sources.
- Neither the Broker nor any other party has provided remuneration to any loan originator based on a prohibited term (or proxy of a term) of the Mortgage Loan or multiple Mortgage Loans.
- If any Loan Originator has obtained non-deferred profits-based compensation, that amount does not surpass 10% of the Loan Originator's total compensation.
- For VA guaranteed loans, Keystone permits only seller credits to cover borrower-paid broker compensation above 1%, up to a maximum of 2.00% total compensation (borrower-paid and seller-paid combined). This compensation must be disclosed in the Loan Estimate (LE) and Closing Disclosure (CD), documented in the Broker Compensation Agreement and seller credit disclosure in the contract/addendum, and comply with VA’s 4% concession cap (excluding standard closing costs). Only borrower-paid compensation is eligible for seller credits, not lender-paid compensation.

Third-Party Processing Fees

Keystone will exclude bona fide fees paid to a third-party processing company from broker compensation if specific requirements are met:

- The processing company is not affiliated with the broker company.
- The loan processing company is appropriately licensed and registered in the NMLS to perform processing services in the State where the property is located.
- The fee is appropriately disclosed and identified as paid to a third party that is not an affiliate.

- The fee is bona fide and reasonable.
- A copy of the invoice is provided in the loan file and matches the charge on the CD.

Borrower Paid Compensation

The Broker may negotiate compensation with the Borrower for each transaction where the Borrower pays the Broker's compensation directly. The compensation agreement may be based on a fixed percentage of the loan amount or a flat fee. If compensation is fixed at a flat fee, a change to the loan amount will not result in a change to the flat fee compensation.

Keystone Funding prohibits the Broker from charging a consumer more on a Borrower-Paid transaction than the Broker would have received on the same transaction under the Lender-Paid compensation plan in effect on the date the Broker submits a request for a Loan Estimate with Keystone Funding. On a transaction basis, the Borrower-Paid Compensation amount is set at the time the Loan Estimate is requested with Keystone Funding, subject to Keystone Funding caps and applicable law.

Further, compensation paid from loan proceeds will be considered Borrower-Paid Compensation. In such case, the Broker may not receive compensation from the lender directly, indirectly or through premium pricing from the rate. Keystone Funding prohibits dual compensation.

Brokers are permitted to reduce the amount of the Borrower Paid Compensation on a loan, in order to pay for various borrower Closing Costs. The costs must be listed on the Closing Disclosure as Borrower Paid.

Borrower paid compensation may not be increased unless the loan amount increases and the compensation is based on a percentage of the loan amount.

Allowable Compensation Changes to Individual Loans

Generally, changes to the Broker compensation amount cannot be made once the compensation has been disclosed to the Borrower. However, the following changes can be made to broker compensation without additional management approval:

- Reductions of Borrower Paid Compensation as a result of a change that occurred during the processing of the loan. Must be a valid CIC.
- Switching from Lender Paid Compensation to Borrower Paid Compensation prior to the loan being locked. In this case, the change to Borrower Paid must be to the benefit of the borrower. Borrower paid compensation is not set until the lock event. Expiration of the lock period would allow a reset of the compensation.
- If a change is made prior to the Loan Estimate being sent out, unless the Borrower has executed a compensation agreement with the Broker.
- If a Borrower has not indicated an intent to proceed prior to the expiration of the Loan Estimate, then the transaction can be re-disclosed with changes to broker compensation.
- Revising the compensation amount to Borrower Paid Compensation from Lender Paid Compensation to address a customer concern or issue where the change would result in better pricing to the borrower. This change requires approval by Keystone Funding to be effective. The Borrower Paid Compensation must be equal or less than the Lender Paid Compensation election. Lender Paid transactions must still be completed at the rate in effect at the date of application, and any compensation agreements between the Broker and Borrower must still be honored.

Broker Compensation and Qualified Mortgage Correlation

For applications taken on or after January 1, 2014, the Consumer Finance Protection Bureau (CFPB) implemented the Ability to Repay (ATR) and Qualified Mortgage (QM) rules of the Dodd-Frank Act. Lender Paid Compensation and Borrower Paid Compensation are both included in the QM calculation to ensure the Borrower's ability to repay regardless if the borrower paid compensation is paid by the seller or other third party.

Qualified Mortgage (QM)/Points and Fees

Broker Compensation, including both Borrower-Paid Compensation and Lender-Paid Compensation (LPC), is included in the Qualified Mortgage (QM) Points and Fees calculation in accordance with applicable federal regulations regardless if the borrower paid compensation is paid by the Seller or any other third party.

All loans must be reviewed to ensure that total points and fees, including broker compensation, do not exceed QM thresholds. Keystone Funding reserves the right to require adjustments to compensation or fees to maintain compliance.

Private Transfer Fees

No Conforming Loan is secured by property encumbered by or subject to a "private transfer fee" or "private transfer fee covenant," as those terms are defined by and prohibited by 12 C.F.R. Part 1228, as amended.

Ability to Repay and Qualified Mortgages (ATR/point), Residual Income Evaluation

During origination, supported by verifiable documentation, the Loan qualifies as a Qualified Mortgage (QM) in accordance with the Ability to Repay (ATR) provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), which amended the Truth in Lending Act (Reg. Z), and its associated regulations.

Points and Fees Limitation

The aggregate points and fees are restricted to a maximum of 3% of the total loan amount or any differing amount as stipulated in accordance with the QM provisions of Regulation Z.

To adhere to the High-Cost and ATR/QM Rules requirements and accurately assess points and fees on all loans, Keystone will mandate a comprehensive breakdown of all points and fees in the loan package.

Bona Fide Discount Points

Keystone permits the exclusion of qualifying bona fide discount points from the total points and fees, which align with the guidelines provided by the Consumer Financial Protection Bureau (CFPB), ATR/QM, and High-Cost rules.

Prohibited Terms and Practices

A Loan may not violate any of the following prohibited terms and practices:

Credit Insurance

Each Loan must not necessitate the borrower(s) to cover a single-premium credit insurance policy, regardless of whether the premium is paid directly by the borrower or indirectly by incorporating the premium/fee into the mortgage amount. This restriction encompasses mortgage insurance containing credit insurance features, where the borrower pays a single premium for the credit insurance either directly or indirectly by rolling it into the cost of the mortgage insurance, irrespective of whether or not it is denoted as including a credit insurance premium. Premiums for insurance computed and remitted monthly are permissible. Explanations for the credit insurance policies should be expressed in straightforward and uncomplicated terms and provided to the borrower before acquiring the relevant policy. No Loan encompasses a debt cancellation agreement.

Arbitration

No Loan requires the borrower(s) to submit to arbitration to resolve any dispute arising out of or relating in any way to the Loan transaction.

Tangible Net Benefit

Each mortgage Loan, the proceeds of which are to be used to refinance a previous mortgage Loan, offers a documented, demonstrable, tangible net benefit to the borrower.

Loans to Employees and Broker Owners

Keystone will not accept Loans where a borrower (i) holds greater than a 9.99% ownership interest in the Broker, or (ii) is within the first degree of relationship by blood (including adoption) or marriage to any owner, principal, officer, shareholder, or director of the Broker. The term "first degree of relationship" encompasses children and parents. Spouses are considered first-degree relatives by marriage. In the case of other relationships through marriage, the degree of relationship is equivalent to the degree of the underlying blood relationship.

Keystone will also not accept Loans in which the seller of the subject property, or any other interested party to the transaction (including but not limited to a real estate agent, builder, or developer), holds greater than a 9.99% ownership interest in the submitting Broker.

Loans where the borrower is a family member of a non-owner employee of the Broker are permitted, provided that the employee whose family member is the borrower is not: (i) the originator of record as listed on the 1003; (ii) in a position to influence in any way what documentation is submitted to Keystone; or (iii) involved in any aspect of loan manufacturing, including appraisals and settlement providers.

Loans where the borrower is an employee of the Broker will be accepted provided the employee is not:

- The originator as listed on the 1003
- In a position to influence in any way what documentation is submitted to Keystone
- Involved in the loan manufacturing, including appraisals, settlement providers, etc.

Brokers must disclose at the time of Loan submission any Loan in which the borrower is a business partner of any owner or principal of the Broker in any enterprise, regardless of whether that enterprise has any connection to the mortgage brokerage. Loans involving a disclosed business partner relationship are subject to enhanced review at Keystone's sole discretion.

Dual Capacity

Dual Capacity occurs when the Loan Officer is also a licensed Realtor involved in the transaction. Transactions with Dual Capacity, where the Loan Officer is also the Realtor, and the Realtor represents the seller, are not allowed.

Transactions with Dual Capacity where the Loan Officer is also the Realtor and the Realtor represents the purchaser are permitted except in the states of Utah and Louisiana. Dual Capacity is also not allowed for any USDA transaction.

Transactions involving Dual Capacity require the Broker to provide the appropriate state disclosure in the following states: Arizona, California, Colorado, Connecticut, District of Columbia, Florida, Oregon, Texas, Virginia, and Washington.

Notwithstanding the foregoing, Dual Capacity is prohibited in any transaction where the borrower is within the first degree of relationship by blood (including adoption) or marriage to the Loan Officer, regardless of which party the Loan Officer represents in their capacity as a licensed Realtor.

Non-Arm’s Length Transactions

A Non-Arm's Length Transaction is any transaction in which a pre-existing relationship or agreement exists between the buyer and seller, or between any parties to the transaction, that may influence the terms, price, or conditions of the sale. Non-arm's length transactions include, without limitation: transactions between family members; transactions between an employer and an employee; transactions in which the buyer and seller share a business relationship or common financial interest; and any transaction in which the parties have agreed to terms or conditions outside of the written sales contract.

All non-arm's length transactions must be disclosed at the time of Loan submission. Such transactions are subject to enhanced review and must satisfy all applicable investor, agency, and regulatory requirements. Keystone reserves the right to condition, suspend, or decline any non-arm's length transaction at its sole discretion.

Survival

The representations, warranties, covenants, and other obligations under this Guide, including payment, indemnification, cooperation, setoff, recovery, and enforcement obligations, survive assignment of Keystone’s rights and termination of the Agreement or Program Documents.

Defaults, Remedies, Early Payment Defaults, and Early Pay Off

Defaults

Upon discovery by either Broker or Keystone of a breach of a representation, warranty, covenant, or other obligation under the Program Documents, the discovering party shall promptly notify the other. Unless this Guide expressly provides otherwise, Broker shall have twenty (20) days after receipt of notice to cure the breach to Keystone’s reasonable satisfaction. If the breach cannot reasonably be cured within that period, Broker shall begin the cure within the initial period and complete it within an additional thirty (30) days, unless the additional period would materially prejudice Keystone or cause Keystone to fail to meet a deadline imposed by applicable law, a court or regulator, or an agency, insurer, guarantor, purchaser, investor, servicer, or other counterparty with respect to the affected Loan. If the breach is not cured within the applicable period, or is not capable of cure, Keystone may exercise any remedy available under the Program Documents.

The submission of a Loan in which a familial, identity-of-interest, or ownership relationship required to be disclosed under this Guide was not disclosed constitutes a material breach.

Defined Terms for EPD and Fraud Remedies

“EPD Event” means a Loan that, based on any scheduled payment due during the first six (6) months following funding, is reported, classified, assessed, or otherwise treated as an early payment default by Keystone or by the applicable servicer, purchaser, investor, insurer, guarantor, or other counterparty, as determined by Keystone in its reasonable discretion. An EPD Event may arise from one or more payments that are late, delinquent, unpaid, returned, reversed, rescinded, dishonored, or otherwise deficient, and may be determined during or after the six-month period. The applicable delinquency or payment-performance threshold may vary by Loan. A Loan constitutes only one EPD Event regardless of the number of affected payments during that period.

Keystone may rely on its own books and records and on any notice, report, invoice, servicing record, or other information received from the applicable servicer or other counterparty in determining that an EPD Event has occurred. Keystone is not required, as a condition to issuing a demand under this section, to provide Broker with the underlying servicing, purchase, sale, or investor agreement or any confidential or proprietary payment-performance criteria.

“EPD Occurrence Date” means the date on which Keystone first receives notice or otherwise determines that the Loan constitutes an EPD Event.

“EPD Count” means, as of an EPD Occurrence Date, the greater of: (a) the number of EPD Events attributable to Broker; and (b) the number of EPD Events attributable to the loan officer who originated the affected Loan, in each case with EPD Occurrence Dates during the twelve (12)-month period ending on the current EPD Occurrence Date, including the current EPD Event. Each EPD Event is attributed to both Broker and the originating loan officer.

“Initial Production Period” means, with respect to an affected Loan, that the affected Loan is among: (a) the first ten (10) Loans funded by Keystone for Broker; or (b) the first ten (10) Loans funded by Keystone that were originated by the loan officer who originated the affected Loan after that loan officer was first added to Broker’s approved roster with Keystone.

“Broker-Related Person” means any owner, officer, director, employee, loan originator, processor, contractor, agent, or controlled affiliate of Broker.

“Broker-Related Fraud” means fraud or a material misrepresentation or omission in which Broker or a Broker-Related Person participated, knew of, facilitated, concealed, or recklessly disregarded.

“Material Red Flag” means an indicator of potential fraud or material misrepresentation that was reasonably apparent from information available to Broker, was required by the Program Documents or applicable controls to be investigated, escalated, or disclosed, and was materially related to the fraud or misrepresentation that caused Keystone's loss.

“Material Control Failure” means: (a) Broker’s material failure to follow an applicable fraud-control, verification, investigation, escalation, disclosure, supervision, or quality-control requirement, where the failure was materially related to the fraud or material misrepresentation that caused Keystone’s loss; (b) two (2) or more Confirmed Fraud Events among the first ten (10) Loans funded for a Broker or originated by a loan officer; or (c) three (3) or more Confirmed Fraud Events attributable to a Broker or an individual loan officer during any rolling twelve (12)-month period.

“Actual Net Loss” means all documented amounts paid, incurred, or contractually required to be paid by Keystone as a direct result of the covered fraud, misrepresentation, EPD concentration, breach, or other covered event, including: unrecovered principal and interest; any investor, purchaser, servicer, insurer, or guarantor repurchase, indemnification, recapture, or other charge; loss on sale, resale, foreclosure, liquidation, or other disposition; premium and SRP recapture or loss; documented hedge, pair-off, or market-execution costs directly attributable to the covered event; warehouse interest and other carrying costs; advances; servicing, foreclosure, property-preservation, liquidation, and disposition expenses; and reasonable external audit, investigation, forensic, expert, attorneys’ fees, court costs, arbitration costs, bankruptcy costs, judgment-enforcement costs, and collection expenses incurred in investigating, responding to, defending, remediating, enforcing, or collecting the covered obligation. Actual Net Loss will be reduced only by the net amount of any recovery actually received and retained by Keystone after deducting all reasonable costs and expenses incurred to investigate, obtain, preserve, enforce, administer, or collect that recovery. Keystone has no obligation to pursue any recovery it determines is not commercially reasonable, and no credit is due for an anticipated, contingent, or uncollected recovery.

“Confirmed Fraud Event” means a funded Loan for which Keystone reasonably determines that material fraud or a material misrepresentation or omission occurred in connection with the origination, submission, underwriting, closing, or documentation of the Loan.

Early Payment Default Events and Remedies

For each EPD Event, Broker shall, within twenty (20) days after receipt of Keystone's written demand, pay Keystone an amount equal to: (a) all loan-originator compensation received or retained by Broker in connection with the affected Loan, whether paid by Keystone, the Borrower, the seller, or any other person; and (b) any lender credit or rate rebate provided to the borrower by Keystone in connection with the affected Loan, in each case without duplication. Bona fide third-party charges not retained by Broker are excluded.

The following additional remedies apply based on the EPD Count and whether the affected Loan is within an Initial Production Period:

(i) If the EPD Count is one, no additional charge applies, except that Broker shall pay a fixed EPD Charge of $3,500 if the affected Loan is within an Initial Production Period.

(ii) If the EPD Count is two or three, Broker shall pay a fixed EPD Charge of $3,500 for the affected Loan. If the affected Loan is within an Initial Production Period, Broker shall also indemnify and reimburse Keystone for Actual Net Loss arising from the affected Loan.

(iii) If the EPD Count is four or more, Broker shall pay a fixed EPD Charge of $3,500 and indemnify and reimburse Keystone for Actual Net Loss arising from the affected Loan.

The applicable remedy will be determined as of the EPD Occurrence Date. Keystone will not recover the same compensation, charge, cost, or loss more than once. An EPD Event, standing alone, will not require Broker to repurchase the Loan. Keystone may also impose enhanced quality control, corrective action, product or personnel restrictions, suspension, inactivation, or termination based on the frequency, severity, or concentration of EPD Events.

Fraud Remedies

Confirmed Fraud Event

If a Confirmed Fraud Event occurs, Broker shall indemnify, defend, and hold Keystone harmless from, and reimburse Keystone for, Actual Net Loss, regardless of whether the fraud or material misrepresentation or omission was committed by Broker, a Broker-Related Person, the Borrower, or an independent third party.

Fraud Involving a Missed Material Red Flag or Material Control Failure

If Broker failed to identify, investigate, escalate, or disclose a Material Red Flag, or committed a Material Control Failure, Broker shall also pay a fixed Fraud Review Charge of $7,500 for each affected Loan. If a Material Control Failure is based on a concentration of Confirmed Fraud Events, the Fraud Review Charge applies to each Confirmed Fraud Event included in that concentration.

The Fraud Review Charge compensates Keystone for the additional internal investigation, quality-control review, administration, counterparty response, and remediation burden caused by the missed Material Red Flag or Material Control Failure. Those same internal costs will not also be included in Actual Net Loss. The parties acknowledge that those costs are difficult to quantify and agree that the Fraud Review Charge is a reasonable contractual charge and not a penalty.

Broker-Related Fraud or Material Noncooperation

If Broker or a Broker-Related Person engages in Broker-Related Fraud, or if Broker materially fails or refuses to cooperate with Keystone's investigation, defense, remediation, counterparty response, or recovery efforts, Broker shall fully indemnify, defend, and hold Keystone harmless. Keystone may, at its election and to the extent legally permissible and operationally feasible, require Broker to repurchase the affected Loan or reimburse Keystone for

Actual Net Loss, exercise setoff rights, immediately suspend, inactivate, or terminate Broker, and make any legally required regulatory, investor, insurer, guarantor, or law-enforcement report.

Material noncooperation means a meaningful refusal or continuing failure to provide reasonably requested records, information, certifications, access to personnel, or other assistance by a stated deadline. Unless a shorter period is reasonably necessary to meet a deadline imposed by applicable law, a court or regulator, or an agency, insurer, guarantor, purchaser, investor, servicer, or other counterparty with respect to the affected Loan, Keystone will provide written notice and a reasonable opportunity to cure.

Risk Management

Upon any Confirmed Fraud Event, Keystone may review any pending, funded, or recently closed Loans submitted by Broker; require prompt production of records and reasonable access to personnel; impose enhanced pre-funding or post-closing quality control; require corrective action; restrict products, loan officers, processors, referral sources, settlement agents, or third-party providers; or suspend, inactivate, or terminate the relationship.

Indemnification

Except as otherwise provided in the Early Payment Default Events and Remedies and Fraud Remedies sections, Broker shall indemnify, defend, and hold Keystone harmless from all documented losses, liabilities, claims, damages, costs, and Actual Net Loss arising out of or relating to: (a) a breach by Broker of a covenant, condition, term, obligation, representation, or warranty in the Program Documents or in a written statement or certificate furnished by Broker; (b) an act or omission of Broker or a Broker-Related Person that adversely affects a Loan submitted to and funded by Keystone; or (c) any other obligation expressly made subject to indemnification.

In any action, claim, investigation, or proceeding involving a third party for which Keystone is entitled to indemnification, Keystone will control the conduct and defense, including the right to compromise, settle, defend, or continue the matter, and Broker shall provide all reasonably requested cooperation.

Early Pay Off – Premium Recapture

If any Loan submitted by the Broker to Keystone shall be prepaid in whole or curtailed by more than 30% of the original principal balance within one hundred eighty (180) days of the date the Loan was funded, then the Broker shall, within twenty (20) days after receipt of notice from Keystone, reimburse the amount of any broker compensation previously paid to Broker by Keystone and/or borrower(s) in connection with that Loan or which had been directly or indirectly utilized by the borrower to offset costs or fees incurred during the origination of such Loan. Curtailment includes lump sum paydowns, partial principal reductions, or similar actions. If payment is not timely received by Keystone, the amount owing may be offset against any compensation owed to the Broker or an affiliated Broker, for payment on a Loan or otherwise, as determined by Keystone.

Keystone Exclusionary List

No Individuals or Businesses on the Exclusionary List

Individuals and businesses listed in the Keystone exclusionary list may not be involved in originating a Loan assigned to Keystone. This exclusion extends to any party, either directly or indirectly associated with Keystone, having a significant influence on the mortgage origination process, including individuals in management or supervisory roles.

Roles in Loan Origination

No person or entity on the Keystone exclusionary list has participated in the loan origination process or the related real estate transaction. Prohibited roles encompass borrowers, trustees on the deed, builders, developers, property brokers, loan officers, loan processors, underwriters, mortgage brokers, correspondents, mortgage service providers, appraisers, title insurers, real estate brokers and agents, closing or settlement agents, notaries, and insurance agents, among others.

Data Confidentiality

The Broker is responsible for maintaining the Keystone exclusionary list and its associated information in strict confidence. By accessing or using the Keystone exclusionary list, the Broker agrees to indemnify Keystone for any losses, damages, or expenses, including attorneys' fees, resulting from the Broker's failure to uphold the confidentiality of the Keystone exclusionary list or its contents. The Broker should use the Keystone exclusionary list solely to fulfill its duties as a Broker of Keystone.

GSA, LDP, Freddie Mac Exclusionary List, and FHFA Suspended Counterparty Program List

Keystone prohibits Loans involving companies or individuals who are material parties to the transaction listed on HUD's "Limited Denial Participation" (LDP) list, the federal General Services Administration (GSA) excluded party list, FHFA Suspended Counterparty Program List, or the Freddie Mac Exclusionary List. All parties to the transaction must be checked against these lists. The Loan is ineligible if any of the names appear on these lists. This policy applies to all Loans and is not limited to FHA and VA loans.

Prohibited Settlement Agent

Unless the Broker has obtained prior approval from Keystone:

- The Broker does not possess any ownership interest in the title company, title agent, escrow company, or any other settlement agent involved in closing the Loan.
- No Principal of the Broker holds any ownership interest, of any kind or amount, in the title company, title agent, escrow company, or any other settlement agent engaged in closing the Loan.
- No Principal of the Broker is related to a principal of the title company, title agent, escrow company, or any other settlement agent participating in the Loan closing, within the first degree by blood (including adoption) or marriage.

Keystone adopts the same definition for an affiliate as specified in the NMLS. If a company is obligated to disclose an affiliate in the NMLS, it must also be disclosed as an affiliate to Keystone for the purpose of points and fees calculation under the QM Rules.

The term "first degree of relationship" encompasses children and parents. Spouses are considered first-degree relatives by marriage. In the case of other relationships through marriage, the degree of relationship is equivalent to the degree of the underlying blood relationship.

Privacy

All capitalized terms used in this section and not otherwise defined shall have the meanings set forth in 12 C.F.R. Part 332 ("Privacy of Consumer Financial Information"), as amended from time to time (the "Privacy Regulation"), issued pursuant to Section 504 of the Gramm-Leach-Bliley Act (15 U.S.C. § 6801 et seq.).

Safeguards

Broker and Keystone will maintain and implement measures, both technical and organizational, to safeguard consumer information from destruction, loss, modification, unauthorized access, or disclosure to third parties while in the possession or under the control of the Broker, Broker's agents, Keystone, or Keystone's agents. Each of these precautions aims to (i) uphold the security and confidentiality of Consumer Information, (ii) mitigate potential threats or risks to the security or integrity of Consumer Information, and (iii) prevent unauthorized access to or utilization of

Consumer Information that could potentially lead to significant harm or inconvenience for any customer.

Unauthorized Access to Consumer Information

Identification and Management of Security Breaches

Broker and Keystone will establish adequate protocols to identify and manage any instances of unauthorized acquisition, disclosure, utilization, or other security breaches concerning Consumer Information.

Communication of Unauthorized Access

Broker and Keystone will promptly inform each other, as soon as practically feasible, of any unauthorized or attempted access, disclosure, utilization, or knowledge of Consumer Information upon becoming aware of such incidents. This requirement to inform includes reporting any substantial or potential security breaches within a system, LAN, or telecommunications network that houses or processes Consumer Information.

Provision of Specifics Regarding Unauthorized Access

Broker and Keystone will promptly provide comprehensive details of any unauthorized or attempted access, disclosure, utilization, or knowledge of Consumer Information and will make reasonable efforts to aid the other party in investigating and preventing the reoccurrence of such access, utilization, or knowledge.

Collaboration

Broker and Keystone will collaborate to rectify any unauthorized access, disclosure, utilization, or other security breaches and cooperate in any legal proceedings and investigations deemed necessary to safeguard Consumer Information.

Prevention of Reoccurrence

Broker and Keystone will make all reasonable endeavors to prevent any future instances of unauthorized access, utilization, or knowledge of Consumer Information.

Confidentiality

Duty of Diligence

Each Party will safeguard all Consumer Information with a level of care equivalent to that employed to prevent the unauthorized use, disclosure, publication, or dissemination of its own confidential information, and under no circumstances less than a commercially sensible level of care.

Limited Disclosure

Keystone and Broker may reveal Consumer Information to their respective agents, marketing partners, accountants, attorneys, and affiliates or subsidiaries (collectively referred to as each party's "Third Party Recipients") if reasonably required to perform their obligations. Keystone and Broker agree not to disclose, release, or otherwise provide any Consumer Information to any third party without prior written consent from the other party. However, Keystone and Broker are accountable for any breaches of these confidentiality obligations by their Third-Party Recipients. They will ensure that these individuals or entities are informed of these confidentiality responsibilities. Keystone may share consumer information with third-party recipients, who are bound by a joint marketing agreement between the parties. Nevertheless, such information may solely be utilized for the purposes delineated in the joint marketing agreements and not for any other objective.

Loan Integrity: Communications Regarding Legal Issues and Keystone Policies

Keystone periodically notifies its Brokers about significant legal requirements related to mortgage loan origination. However, Brokers should not solely rely on Keystone for information about these legal requirements. As stated in the Eligibility, Representation, Warranties, and Covenants section and other parts of this Guide, Brokers must ensure their awareness, understanding, and implementation of all relevant federal, state, and local laws.

Keystone may also communicate its specific policies regarding certain laws and provide information on legal requirements or policies in this Guide. Alternatively, such information may be provided through bulletins, communications, or compliance alerts; regardless of the method of communication, the Broker must comply with these policies.

Set Off

Keystone and its successors and assigns may set off any amount then due and payable by Broker against amounts otherwise owed to Broker under the Agreement. Keystone will provide written notice stating the basis and calculation of the setoff at least ten (10) days before applying it, except when applicable law or an urgent fraud, insolvency, regulatory, investor, insurer, guarantor, servicer, litigation, or safety-and-soundness concern requires more immediate action.

Suspension, Inactivation, or Termination

Either party may terminate the Agreement and the Program Documents upon five (5) business days' written notice if no Event of Default has occurred. Except as otherwise set forth herein, following termination, Loans subject to a valid lock before the effective date will remain eligible to proceed under the Program Documents applicable on the original lock date and the related lock commitment, subject to continued satisfaction of underwriting, closing, market, and other applicable conditions. A Loan that is registered but not locked before the effective date is not protected by this paragraph and may be declined or required to comply with the then-current Program Documents.

Keystone may immediately suspend, inactivate, or terminate the Agreement, the Program Documents, and Broker's ability to submit new Loans if Keystone reasonably suspects an Event of Default, fraud, a licensing or regulatory issue, a data-security issue, or another safety-and-soundness concern. Keystone may decline to register new Loans and may decline to fund locked pipeline Loans when reasonably necessary to protect Keystone, consumers, or an applicable investor, purchaser, servicer, insurer, guarantor, or other counterparty.

Broker’s obligations concerning Loans previously submitted, funded, sold, or referred for underwriting and closing, including surviving payment, EPD, fraud, indemnification, cooperation, setoff, recovery, and enforcement obligations, remain unaffected by inactivation, suspension, or termination.

Quality Control

Internal Quality Control

Broker must maintain an internal quality control program commensurate with the size of their business to ensure: Accuracy of legal and origination documents; Detection of fraud and misrepresentation; Identification of systemic issues and their root causes; Monitoring of corrective action plans; Sound reporting procedures. The program must be supported by a written plan outlining the objectives and scope of the review and applicable policies and procedures.

Upon request, the Broker must be able to produce a copy of the Quality Control Plan.

Notice

If the Broker becomes aware of material misrepresentation or fraudulent activity of any nature occurring on a Loan delivered to Keystone, the Broker must give prompt written notice setting forth the details of the discovery and any supporting documentation.

A written notice may be sent to Keystone Funding, Inc., 519 S. Red Haven Lane, Dover, DE 19901, Attn: Operations Manager. Notices can also be submitted electronically to Compliance@keystonefunding.com.

Best Practices - Quality Control

Each Broker possesses unique attributes concerning size, target market, product assortment, and other risk factors. The Broker's quality control program and fraud controls must be tailored to suit its particular circumstances, ensuring appropriateness and effectiveness. Alongside the quality control requisites outlined in the Program Documents, the following best practices are suggested for all Brokers:

- If applicable, the Broker's quality control staff operates independently of production/origination and reports directly to senior management.
- Before employment, Broker’s staff undergoes suitable background checks and is well-informed about the Broker's code of conduct concerning fraud and the proper handling of confidential consumer information. Employees and others can report fraud and unethical behavior to the Broker, which will be impartially investigated.
- The Broker maintains an active emphasis on preventive controls, encompassing fraud awareness training and document acquisition protocols.
- The Broker employs contemporary technology and tools to safeguard itself against fraud, including but not limited to utilizing independent sources of information regarding the property.

Communication with Applicant

Unless otherwise directed by Keystone, the Broker must expeditiously transmit to the Applicant any documents created by Keystone and meant for distribution to applicants, irrespective of the mode by which such documents are dispatched to the Broker. Keystone reserves the right to directly communicate with Applicant(s) on occasions related to quality control or fraud prevention endeavors, although this Guide does not mandate such action.

Fraud

Keystone, its investors, purchasers, servicers, insurers, guarantors, other counterparties, and Brokers may face significant financial and reputational harm from fraud or material misrepresentation. Fraud generally includes an intentional misrepresentation, concealment, or omission designed to deceive or manipulate another person. Keystone maintains zero tolerance for participation in, knowing facilitation, concealment, or reckless disregard of fraud by Broker or a Broker-Related Person. Independent third-party fraud will be investigated.

Overview

Today, most individuals have access to a personal computer and the Internet. With a simple mouse click, one can quickly and easily find personal information on an individual or a company, including financial statements, real property information, court records, and many other data. With the purchase of software, a scanner, and a color printer, a thief can create documents and provide supporting information to create identities, employer documentation, appraisals, and credit history to support a mortgage request.

Fraud perpetrators seek the path of least resistance, targeting those lenders with the weakest controls for detecting and preventing fraud. Financial institutions that fail to ensure adequate internal controls, fraud detection tools, staff training, business partner due diligence, and quality control reviews risk becoming targets for organized mortgage fraud rings. A high incidence of fraud in a financial institution’s portfolio risks the company’s reputation, raises its costs to sell in the secondary market, and could ultimately impact its viability. Financial institutions are obligated to their borrowers, shareholders, investors, and the industry to manage fraud effectively.

Mortgage fraud is a severe issue for financial institutions. Institutions may recover only a portion of a mortgage if the property value is inflated or if the mortgage was provided to an unqualified borrower. High foreclosure costs, including unpaid back taxes and interest, liens for unpaid homeowner dues, brokers' commissions, reappraisals, rehabilitation costs, attorneys' fees, and other related expenses, plague the industry. Foreclosure attorneys' fees, in particular, can be substantial.

Types of Fraud

A Loan file can contain warning signs that point to irregularities in the information submitted by the borrower or other parties involved in the transaction. This information may not seem unusual when viewed separately, but a comparison may indicate a pattern of deception. Typically, there are two types of fraud involving real property:

- Fraud For Property -The borrower or other interested party misrepresents or omits information with the intent to deceive or mislead the lender into extending credit that would not likely be offered if the actual facts were known or to obtain more favorable terms on the loan, but not to intentionally and significantly over encumber the property. However, there is an intent to repay the loan as agreed. Participants usually involve the borrower and the borrower's family members.
- Fraud for Profit is when the borrower or other interested party enters into a transaction with the primary intention of creating inappropriate and significant financial gain beyond just getting better pricing and terms for the loan, to the detriment of the lender. The borrower or other interested party does not intend that the loan be repaid as agreed, or the property has been significantly and intentionally overvalued and over-encumbered, or the lender's collateral interest in the subject property has been intentionally impaired or undermined.

Multiple parties may participate, including the borrower, real estate agent, appraiser, loan officer, loan processor, underwriter, lender, closing attorney, or property management company.

Red Flags and Fraud Types

The presence of one or more fraud indicators, or red flags, is not absolute proof of a fraudulent loan, but when viewed as a whole, a pattern of deception may begin to emerge. To determine if a loan is fraudulent, Keystone strongly encourages reviewing all loan types for document-specific loan fraud indicators or red flags that can identify irregularities in the information submitted by a borrower or other parties in the transaction. The following are some of the more common types of Red Flags and fraud schemes, but should not be seen as a complete list.

Red Flags - Sales Contract

- Non-arm's-length transaction: the seller is a real estate broker, relative, employer, etc.
- The seller is not currently reflected on the title.
- The purchaser is not the applicant.
- Purchaser(s) deleted from/added to sales contract.
- No real estate agent is involved.
- Power of attorney is used.
- A second mortgage is indicated but not disclosed on the application.
- Earnest money deposit equals the entire down payment or is an odd amount for the local market.

- Multiple deposit checks have inconsistent dates (e.g., #303 dated 10/1, #299 dated 11/1).
- Name and/or address on the earnest money deposit check differ from the buyers.
- Real estate commission is excessive.
- Contract dated after credit documents.
- The contract is a "boilerplate" with limited fill-in-the-blank terms, not reflective of a genuine negotiation.

Red Flags – Credit Report

- No credit history or "thin" credit files.
- Invalid Social Security number or variance from that on other documents.
- Duplicate Social Security number or additional user of Social Security number.
- Recently issued Social Security number.
- Liabilities shown on the credit report that are not on a mortgage application.
- The established credit length is inconsistent with the applicant's age.
- Credit patterns are inconsistent with income and lifestyle.
- All tradelines opened at the same time.
- Authorized user accounts have superior payment histories.
- Significant differences between original and new or supplemental credit reports.
- "Also known as" (AKA) or "doing business as" (DBA) indicated.
- Numerous recent inquiries.
- Missing pages and/or supplements.
- Employment discrepancies.
- Social Security number, death, or fraud alerts.

Red Flags – Employment and Income Documentation

- Applicant's job title is generic, e.g., "manager," "vice president."
- Employer's address is a post office box, the property address, or the applicant's current residence.
- Applicant's residence is (will be) in a location remote from the employer.
- Employer name is similar to a party to the transaction, e.g., uses the applicant's initials.
- The employer is unable to be contacted.
- Year-to-date or past-year earnings are even dollar amounts.
- Withholding is not calculated correctly (check FICA tables).
- Withholding totals vary significantly from pay period to pay period.
- Pay period dates overlap and/or do not correspond with other documentation.
- Abnormalities in paycheck numbering.

- Handwritten VOE, pay stubs, or W-2 forms.
- The W-2 form presented is not the employee's copy.
- Employer's identification number has a format other than 12-3456789.
- Income appears to be out of line with the type of employment.
- A self-employed applicant does not make estimated tax payments.
- Real estate taxes or mortgage interest were claimed, but no ownership of real property was disclosed.
- Tax returns not signed or dated.
- High-income applicant without a paid preparer.
- The paid preparer signs the taxpayer's copy of tax returns.
- Interest and dividend income do not align with assets.
- Applicant reports substantial income but has no cash in the bank.
- A significant increase in housing expenses.
- Reasonableness test: income appears to be out of line with the type of employment, applicant age, education, and/or lifestyle.

Red Flags – Asset Documentation

- Down payment source is other than deposits (gift, sale of personal property).
- The applicant's salary does not support savings on deposit.
- Applicant does not use traditional banking institutions.
- A pattern of loyalty to financial institutions other than the subject lender.
- Balances are greater than the FDIC or SIPC-insured limits.
- High-asset applicants' investments are not diversified.
- Excessive balance maintained in the checking account.
- Dates of bank statements are unusual or out of sequence.
- Recently deposited funds without a plausible paper trail or explanation.
- Bank account ownership includes unknown parties.
- Balances verified as even dollar amounts.
- The two-month average balance is equal to the present balance.
- The source of earnest money is not apparent.
- Earnest money is not reflected in account withdrawals
- Earnest money is from a bank or account without a relationship to the applicant.
- Bank statements do not reflect deposits consistent with income.
- Reasonableness test: assets appear out of line with the type of employment, applicant age, education, and/or lifestyle.

Red Flags – Owner Occupancy

- Purchase transactions
- Real estate is listed on the application, yet the applicant is a renter.
- Applicant intends to lease the current residence.
- Significant or unrealistic commute distance.
- Applicants are downgrading from a larger or more expensive house.
- The sales contract is subject to an existing lease.
- Occupancy affidavits reflect that the applicant does not intend to occupy.
- New homeowner’s insurance is a rental policy (declarations page).
- Refinance transactions
- The rental property listed on the application is more expensive than the subject property.
- Different mailing addresses on applicant’s bank statements, pay advices, etc.
- Different addresses are reported on the credit report.
- Significant or unrealistic commute distance.
- Appraisal reflects vacant or tenant occupancy.
- Occupancy affidavits reflect that the applicant does not intend to occupy.
- Homeowner’s insurance is a rental policy (declarations page).
- Reverse directory does not disclose the subject property address.

Fraud Schemes

Straw Buyer

Straw buyers are loan applicants used by fraud perpetrators to obtain mortgages and to disguise the actual buyer or the true nature of the transaction.

Characteristics

- Mortgage payments are made by an entity other than the borrower.
- The loan is usually an early payment default.
- A first-time home buyer with a substantial increase in housing expense.
- The buyer does not intend to occupy (due to unrealistic commute, size, property condition, etc.).
- No real estate agent is employed (non-arms-length transaction).
- Power of attorney may be used.
- “Boilerplate” contract with limited insertions not reflective of a genuine negotiation.
- Income, savings, and/or credit patterns are inconsistent with the applicant’s overall profile.
- High loan-to-value (LTV) ratio, limited reserves, and/or seller-paid concessions.

- Inconsistent signatures found throughout the file.
- Use of gift funds for down payment and/or closing costs, with a minimum borrower contribution.
- The title to the property is transferred after the sale closing

Air Loan

An air loan is a loan to a straw or non-existent buyer on a non-existent property.

Characteristics

- Air loans typically involve straw buyers (refer to the "Straw Buyer Characteristics" section).
- No real estate agent is employed (fictitious transaction).
- Mortgage payments are made by an entity other than the borrower.
- Common payer among loans is involved in the scheme.
- Common mailing address among loans is used in the scheme.
- Unable to independently validate the chain of title.

Double Sale

A double sale is the sale of one mortgage note to more than one investor.

Characteristics

- Mortgage payments are made by an entity other than the borrower.
- The mailing address is not the borrower's address.
- Two mortgages recorded on the same property.
- The mortgage is not recorded in the first lien position.
- Two notes may be identical except for signatures (or one may be a color copy).

Property Flip

Illegal property flipping occurs when property is purchased and resold quickly at an artificially inflated price, using a fraudulently inflated appraisal.

Characteristics

- Flips typically involve straw buyers (refer to the "Straw Buyer Characteristics" section).
- Flips sometimes involve naïve purchasers.
- Seller has recently acquired or is acquiring title concurrent with the subject transaction.
- No real estate agent is employed (non-arm's-length transaction).
- The property was recently in foreclosure or acquired at a low sales price at a real estate owned (REO) sale.
- The appraised value is fraudulently inflated.
- The appraiser frequently uses other property flips as comparables (examine comparable properties' sales

histories).

- Owner listed on appraisal and/or title may not match the seller on the sales contract.
- Refinance transactions are used to pay off private short-term financing.

Ponzi/Investment Club/Chunking

Ponzi, investment club, or chunking schemes involve the sale of properties at artificially inflated prices, pitched as investment opportunities to naïve real estate investors who are promised improbably high returns and low risks.

Characteristics

- No real estate agent is employed (club recruits buyers and/or non-arm's-length transactions).
- Property was recently in foreclosure or acquired at REO sale at a low sales price.
- The borrower may have paid a membership fee to participate in the "club".
- First-time landlord with non-savvy investors.
- Seller offers to manage these rental properties.
- The borrower may have been told that the seller or the "club" would make mortgage payments.
- Borrower purchased multiple properties simultaneously but did not disclose other loans in process to their lender (this is called "shot-gunning;" watch for credit inquiries).
- The appraised value is fraudulently inflated (see "Property Flip Characteristics" section).
- Firms owned by investment club members carry out renovations.

Builder Bailout/Excessive Sales Incentive

A builder bailout is when a seller pays large financial incentives to the buyer and facilitates an inflated loan amount by increasing the sales price, concealing the incentive, and using a fraudulently inflated appraisal.

Characteristics

- Typically involves new construction or new condo conversion.
- Builder's marketing material advertises rent credit and/or payment credit to investors.
- The Closing Disclosure reflects unexplained payouts or inflated commissions (paid outside closing to the buyer).
- All comparables are from within the subject's development and had inflated sales prices.

Buy and Bail

The homeowner is current on the mortgage, but the home's value has fallen below the amount owed, so he or she applies for a purchase money mortgage on another home. After the new property has been secured, the buy-and-bail borrower will allow the first home to go into foreclosure.

Characteristics

- The borrower defaults on the original mortgage shortly after purchasing a second property.
- The borrower will be a first-time landlord (renting out the original property).

- The borrower has minimal or no equity in the original property.
- Inability to validate lease terms with the purported tenant.
- The purported tenant has a pre-existing relationship with the homeowner.

Foreclosure Rescue

A foreclosure rescue scheme involves foreclosure “specialists” who promise to help the borrower avoid foreclosure. The borrowers often pay for services they never receive and ultimately lose their homes.

Characteristics

- A foreclosure specialist advised the borrower to avoid contact with the servicer.
- The borrower has paid someone to negotiate with the servicer on his or her behalf.
- The borrower states that he or she sends mortgage payments to a third party.
- Borrower receives a purchase offer greater than the listing price
- The borrower states that he or she will be renting back from the new owner.
- The borrower quitclaimed (any portion of) the title to a third party at the advice of a foreclosure specialist.
- Borrower signature varies between the short sale contract and loan origination documents.
- The borrower has recently updated his or her contact information.
- The borrower claims he or she does not have to pay because the mortgage is invalid (debt elimination).

Short Sale

In short sale fraud, the perpetrator profits by concealing contingent transactions or falsifying material information, including the property's actual value, so the servicer cannot make an informed short sale decision.

Characteristics

- Sudden default, no workout discussions, and immediate offer at short sale price.
- Ambiguous or conflicting reasons for default.
- The mortgage delinquency is inconsistent with the borrower’s spending, savings, and other credit patterns.
- Short sale offer is from a related party.
- Short sale offering price is less than the current market.
- Cash-back at closing to the delinquent borrower or other disbursements that the servicer has not expressly approved (sometimes disguised as “repairs” or other payouts).
- The buyer and real estate agent may be the same person or related parties.

Unauthorized Fees and/or Payouts

An advance fee scheme perpetrated by foreclosure rescue specialists, during which fees and/or payouts not approved by the servicer agreeing to the short sale are reflected on the Closing Disclosure.

Characteristics

- Short sale Closing Disclosure has unauthorized management, consulting, or short sale negotiation fees.

- Short sale Closing Disclosure reflects excessive unauthorized payoffs to second lien holders.

Non-Arm's Length Short Sale

A non-arm's-length short sale scheme involves a fictitious purchase offer made by the homeowner's accomplice (straw buyer) to fraudulently reduce the property's indebtedness and allow the borrower to remain in their home.

Characteristics

- Purchaser has previous or current ownership of the subject property.
- Purchaser's address matches the borrower's address.
- The purchaser's name is similar to the borrower's.
- Purchaser's employment address matches the borrower's employment address.

Short Sale Flip

In a short sale flip scheme, the perpetrator manipulates the short sale lender into approving a short payoff and conceals an immediate contingent sale to a pre-arranged end buyer at a significantly higher sales price.

Characteristics - Short sale flip: title issues –transfer to business, LLC, or trust

- The borrower is not in title to the property when the short sale closes.
- Short sale Closing Disclosure dated after title transferred to third party, yet the borrower is listed as the seller.
- The borrower transfers title to a business, trust, or LLC.
- End purchase loan characteristics
- The seller is not the recorded title holder.
- The seller on the sales contract does not match the current owner on the appraisal or vesting on the title.
- The title commitment is dated before the sales contract or initial loan application.
- Title commitment requires recording additional deeds to perfect the "current vested owner."
- Characteristics Short sale flip: bait-and-switch with "decoy closing disclosure"
- The seller is netting significant cash.
- The title reflects outstanding significantly higher liens than the amounts to be paid on the Closing Disclosure.
- All liens reflected on title are not being paid on the Closing Disclosure.

Affinity Fraud

In affinity fraud, perpetrators rely on a common bond and exploit the trust and friendship that typically exist in a group of individuals with a common bond to support the scheme. Certain ethnic, religious, professional, or age-related groups are targeted.

Characteristics

- Parties to the transaction (loan officer, closer, realtor, borrower, appraiser, etc.) have a common bond.
- Common surnames for multiple parties to the transaction.

- The borrower’s excessive assets do not align with the job type.
- Large gifts from group members as the source of the down payment.
- The borrower works for what appears to be a member of the group.
- Common tactics include using straw buyers, falsified gift funds, and altered employment or asset documentation.

Reverse Occupancy Fraud

In reverse occupancy fraud, a borrower buys a home as an investment property and lists rent proceeds as income to qualify for the mortgage. But instead of renting the home, the borrower occupies it as a primary residence.

Characteristics

- The subject properties are sold as investment properties.
- Purchasers are first-time home buyers with minimal or no established credit.
- Purchasers have low income but significant liquid assets, authenticated by bank statements.
- Purchasers make large down payments.
- The appraisal has a comparable rent schedule (to show expected rental income from the subject property).
- Purchasers present “rent-free” letters stating they are not paying rent to live in their primary residence.
- The purchasers and other parties to the transaction belong to an identifiable group that shares certain characteristics often seen in affinity fraud cases.
- Transactions occurring in a specific geographic region.

Cash-Out Purchases

A cash-out purchase typically involves one closing and occurs when properties have been on the market for an extended period of time. A desperate property Broker cannot find a qualified buyer. The property seller may be offered a way out of the situation with an offer that exceeds the selling price of the property and an agreement to refund the buyer after closing. The appraisal is inflated, and a straw buyer is used to purchase the property. The loan often goes into early payment default and ends in foreclosure.

Characteristics:

- The home may have been on the market for an extended period of time.
- The appraisal may include red flags symptomatic of an inflated value.
- The Loan Estimate or Closing Disclosure may already indicate a portion of the net proceeds going back to the borrower.
- Many flags accompanying a traditional flip also apply: straw buyer, false source of funds, and false occupancy.

Condominium Conversion Bailouts

Condominium conversion bailout fraud commonly involves multiple parties who create and promote incentive packages deliberately concealed from lenders. Inflated property values may also be part of this type of fraud, along with the masking of illegitimate cash disbursements on the settlement statement or failure to disclose them at all. As a condition of the sale, the buyer executes a purchase contract detailing the incentive package, which often includes substantial cash back to the borrower.

Characteristics:

- Out-of-state borrowers with strong credit scores
- Excessive real estate fees
- Large non-lien disbursements on the Loan Estimate or Closing Disclosure
- A large number of condominium conversions in a particular area

Double Escrows

Double escrow transactions are not illegal, but they are considered high risk since they are often associated with no-money-down purchase transactions and/or inflated property values. Double escrows are one method used to avoid down payment requirements. Parties involved in property flipping schemes often use double escrows in the original acquisition of the property.

An example of a typical double escrow is when a buyer's offer is accepted to purchase a property for $150,000. Before escrow closes, the buyer acts as the seller of the property and opens a second escrow using a "straw buyer" who purchases the same property for $185,000. The straw buyer obtains a 90 percent loan. With the proceeds from the second escrow transaction, the first escrow closes concurrently with the second escrow, resulting in no money exchanged.

Equity Skimming

Equity skimming involves investment property. The owner/investor collects the monthly rents and fails to make the mortgage payments. The investor usually obtains the property through a purchase transaction or an assumption.

If obtained through a purchase transaction, the investor generally executes a second trust deed to the property seller as the down payment, resulting in no cash investment in the property. Once the property is assumed, the investor profits by collecting rents until the lien holder completes the foreclosure process. Investors using this method frequently obtain

several properties within a short period. The investor makes mortgage payments while acquiring other properties using the same scheme, before finally defaulting on the mortgage payments.

Identity Theft

Identity fraud is the act of unlawfully using one or more pieces of another individual's personal identifying information. When identity theft is recognized during the mortgage loan process, it is recommended that third-party documentation, such as a police report, letter from the borrower, previous year and current year tax returns & W-2s, and a letter from the IRS be provided to substantiate the fraud claim. In most instances, this involves the use of another person's Social Security number (SSN) or the use of a fraudulent SSN.

Characteristics

- SSN issued recently or death claim filed under Social Security.
- The borrower's name is not associated with the SSN.
- The number of years employed is greater than the issue date of the SSN.
- Employment and/or addresses on the credit report do not match the borrower's application.
- Credit patterns are inconsistent with income, assets, age, and education.

- Tax Identification numbers instead of Social Security numbers are used.
- Borrower lives out of the area and does not appear, based on the credit report, to have any tie to the area in which the subject property is located.
- Another form of identity theft involves tax return fraud, which involves using another person's name and SSN to file a tax return and obtain a tax refund.

Power of Attorney

Using a Power of Attorney (POA) means the principal will not actually sign the Loan documents, which raises the risk that the principal may not be aware of the loan transaction or that the principal is a fictitious person. If any wrongdoing is suspected, investigate the circumstances to ensure the use of the POA is legitimate before proceeding with the loan. The settlement agent must not act as the attorney-in-fact or sign documents on behalf of any party to the transaction.

Occupancy

Red flags related to occupancy include:

On Purchase Transactions -

- Real estate is listed on the application, yet the applicant is a renter.
- Applicant intends to lease the current residence.
- Significant or unrealistic commute distance.
- Applicants are downgrading from a larger or more expensive house.
- The sales contract is subject to an existing lease.
- Occupancy affidavits reflect that the applicant does not intend to occupy.
- New homeowner’s insurance is a rental policy (declarations page).

On Refinance Transactions -

- Rental property listed on the application is more expensive than the subject property.
- Different mailing addresses are used on applicants' bank statements, pay advice, etc.
- Different address reported on credit report.
- Significant or unrealistic commute distance
- Appraisal reflects vacant or tenant occupancy
- Occupancy affidavits reflect that the applicant does not intend to occupy.
- Homeowner’s insurance is a rental policy (declarations page).
- Reverse directory does not disclose the subject property address.

Shot Gunning

Shot gunning occurs when a fraud perpetrator simultaneously secures loans from multiple lenders, but does not disclose any of the other applications in process to the individual lender. Shot gunning can accompany several of the schemes covered in this section, such as property flipping and investment club schemes. In those cases, the perpetrator would not qualify for multiple purchase money mortgages and applies with various lenders, but the other applications are not revealed to any given lender. Each lender simultaneously funds what it believes to be the only new mortgage loan. Until the loan closes, the only clues of this activity are credit bureau-reported mortgage inquiries, which the borrower can explain as price and term comparison-shopping.

Terms of Use and Electronic Services

This Electronic Services section outlines the standards applicable to all Keystone programs. Keystone's program guidelines detail specific requirements that differ among Loan programs, with variations typically not referenced here.

Overview and Incorporation of Terms of Use

Keystone may require all Brokers intending to use electronic services, forms, or materials to obtain a user ID and password for each individual user. Additionally, Keystone may make forms, materials, and electronic services available through user IDs and facilitate access via selected third-party providers. The Broker shall be responsible for the acts or omissions of its authorized users when using the products.

Authorized Users

Broker may appoint authorized users provided they meet the necessary requirements and comply with this Guide. They should use the services strictly in accordance with the Guide and any user documentation provided by Keystone.

Usernames/Passwords

Broker is solely responsible for the proper use and confidentiality of usernames and passwords. Any unauthorized use should be immediately reported to Keystone.

Restrictions

Subject to the terms of this Guide, the Broker and Broker’s authorized users may use, access, download, and print materials and forms for their intended purpose. Specific actions such as modifying, copying, distributing, or creating derivative works from the forms are strictly prohibited.

Proprietary Rights and Data Rights

The site and its content, including all copyrights, trademarks, and patents, are owned or licensed by Keystone, with data generated from the system used for auditing purposes and within Keystone’s ordinary business activities.

Recordkeeping

The systems are not designed to meet Broker's recordkeeping requirements, and Broker must implement its own data backup technologies and procedures for its data storage needs.

Termination

Either party may terminate the Systems Agreement at any time. Keystone may restrict access to the terminated system promptly following termination.

Confidentiality

All Confidential Information disclosed by one party to the other shall be subject to the terms outlined. The Receiving Party is responsible for maintaining the confidentiality of the Disclosing Party’s information.

Liability Disclaimer

Brokers and their authorized users use the system at their own risk, and Keystone and its suppliers do not guarantee uninterrupted or error-free access.

Indemnification

Broker agrees to indemnify Keystone from any liabilities arising from its system misuse or any breach of the Systems Agreement.

Links to Third-Party Sites

Hyperlinks to other websites do not imply endorsement by Keystone, and Broker accesses such sites at its own risk.

Marks/Logos

The Broker may not use Keystone's marks/logos without express written permission.

No Legal Advice

Keystone does not provide legal advice, and the Broker should seek legal counsel for such matters.

Non-Waiver

Failure to promptly exercise any right shall not create a continuing waiver.

Severability

If any provision of the Agreement is declared invalid, the remaining provisions will remain in force.

Pricing Functions Services

The Broker acknowledges that the Pricing Functions are estimates, not final prices, and must be used solely for requesting price quotes, rate locks, and registrations for Loans intended for delivery to Keystone.

Automated Underwriting Access

Accessing automated underwriting platforms through Keystone entails compliance with Keystone’s schedule, with the understanding that the Broker is prohibited from extending access to any third party without borrower authorization.

Registration and Lock Commitments

Licensing Required

Keystone will not accept Loans in states where Brokers are not properly licensed to conduct business. If Keystone does not have a Broker's current license or exemption on record, Keystone will not accept Loan registrations or locks. If any Broker license issues are under review, the Broker's Loans will be placed in a suspense status. Brokers should work with their Account Executive to remediate issues relating to the suspense status of Loans.

Escrow Waivers

If the Broker chooses to forgo escrows for property tax and/or hazard insurance, wind, earthquake, flood, and HO-6 on a loan, specific limitations and price modifications will be imposed. To qualify for waiving the property tax and/or homeowner's insurance escrow, the Loan must adhere to program eligibility criteria and qualifications. Refer to the latest rate sheet for state-specific details and adjustments. Property tax exceptions will be subject to all relevant price alterations for non-escrowed Loans.

Pricing Policy

Brokers should refer to Keystone Funding's Pricing Policy for information regarding:

- Rate Requests and Confirmations.
- Lock Expirations, Lock Extensions, and Relocks
- Changes to Locked Loans
- Intra-Day Pricing Changes
- Withdrawing or Cancelling Loans
- Worst Case Relock Policy
- Rate Negotiations

Submitting Loans to Keystone

Before submitting each Loan application to Keystone for approval, Broker hereby agrees to:

- Verify the accuracy of the information provided in the Loan application, including but not limited to the verification of the identity of the parties to the Loan application, their SSNs, address, employment, assets, and income.
- Obtain all necessary credit reports from reputable independent credit reporting agencies concerning the potential borrowers.
- Ensure that the Loan application procedures, eligibility requirements, forms, and other aspects comply with the requirements of the Federal National Mortgage Association and/or Federal Home Loan Mortgage Corporation, as well as all relevant federal, state, and local laws, rules, regulations, and ordinances, including but not limited to the TILA, Regulation Z, the Real Estate Settlement Procedures Act, Regulation X, the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act (FACTA), the Home Mortgage Disclosure Act, the Federal Housing Administration's (FHA's) Tiered Pricing Rule, and the Consumer Credit Protection Act. Broker must provide written evidence of such compliance with each Loan application submitted to Keystone.
- Promptly, fully, accurately, and truthfully disclose to Keystone all information and documentation related to the application, the borrower(s), or the loan security, which Broker may know, suspect, or have notice of, and which may affect or has affected the validity, collectability, collateral value, security, or enforceability of any Loan submitted by Broker for funding by Keystone. This obligation of the Broker shall persist even after submitting the Loan application to Keystone.
- Perform the reasonable diligence and controls required by the Program Documents to verify the accuracy and authenticity of the application, identify material fraud, misrepresentation, and erroneous statements by the borrower or any third party, investigate Material Red Flags reasonably apparent from the information available to Broker, and promptly report unresolved concerns to Keystone.

Additionally, Broker agrees to promptly provide Keystone with any information Keystone requests regarding an application. The contents of all Loan applications and other information submitted to Keystone shall become the property of Keystone upon the funding of the Loan.

Insurance and Survey Requirements

General Hazard

The hazard insurance policy for a property securing any first mortgage, including blanket policies for condos and PUDs, must be underwritten by one of the following carriers:

- An Insurer with an Acceptable Rating
- Carriers rated by A.M. Best Company “B” or better Financial Strength Rating and a Financial Size Category of at least “III” in Best’s Insurance Reports. “A” or better Financial Strength Rating and a Financial Size Category of “VII” or
- better in Best’s Insurance Reports Non-US Edition. Carriers Rated by Demotech, Inc. “A” or better rating in Demotech’s Hazard Insurance Financial Stability Ratings, Carriers rated by Standard and Poor’s “BBB” or Insurer Financial Strength Rating in Standard and Poor’s Ratings, Direct Insurance Service. Insurers rated by more than one rating company must only meet one rating requirement.

Other Acceptable Insurance Underwriters

A state insurance pool created by statutory authority to provide insurance for geographic areas or insurance lines that suffer from a lack of voluntary market availability, if that is the only available coverage. Such a pool may be designated as a property insurance plan, a Fair Access to Insurance Requirements (FAIR) plan, an underwriting association, a joint underwriting association, or an insurance authority. The following are examples of such plans:

- Florida Citizens Property Insurance Corporation

In addition, all insurance companies (insurers) and insurance companies that guarantee coverage provided by other insurance companies (reinsurers) must also be licensed or otherwise authorized by law to conduct business in the jurisdiction where the Mortgaged Premises are located.

Assessments

Insurance contracts must provide that no assessment may be made against the lender or the servicer, or any subsequent assignees, and that any assessment made against others may not become a lien on the Mortgaged Premises superior to the lien of the lender or any subsequent assignee.

Mortgagee Clause Endorsement

The mortgagee clause on all first mortgage policies, binders, and certificates of insurance must show the lender as the mortgagee using the following language:

Keystone Funding Inc.

ISAOA/ATIMA

519 S Red Haven Lane

Dover, DE 19901

Borrower and Property Information

The following must be accurate:

Name(s) or Borrower(s) agree with the Note.

The property address agrees with the Note/Security Instrument.

The mailing address is the same as the property address, except for second homes and investment properties.

Policy Term

The policy must be written for at least a 1-year term or be continuous until cancelled.

Policy Effective Date

The policy effective date must be on or before the date the borrower's Loan is closed/funded.

Evidence of Insurance

At closing, the borrower must provide evidence that the property is covered by hazard insurance in one of the following forms:

- Hazard Insurance Policy
- A Certificate of Insurance, Evidence of Insurance Form, Declaration Page, or Insurance Binder (temporary insurance contract) that contains at least the following information:
    - Name of insured (for condominiums and PUDs, the HOA is the named insured).
    - Name of mortgagee
    - Property address, including zip code. A legal description must be shown for rural properties, condominiums, or other properties if the property address does not adequately define the location of the property. Example: Route 1, Box 5, is inadequate
    - Mailing address, if different from property address (second homes and non-owner-occupied investment property).
    - Type, amount, and effective dates of coverage
    - Deductible amount and coverage to which each such deductible applies.
    - Any endorsement or optional coverage obtained and made part of the original policy.
    - Insurer's agreement to provide at least 10 days' notice to the mortgagee, including any applicable PUD or condominium unit or ground lease community leasehold mortgagee, before cancellation of the policy; AND
    - Signature of an authorized insurer representative, if required by law.

Purchase Transactions

At closing, the borrower(s) must provide a paid receipt for the first year's premium.

Refinance Transactions

Minimum Property Insurance Types and Amounts 1-4 Unit Properties:

Type of Coverage

At a minimum, the Mortgaged Premises must be protected against loss or damage from fire and other perils covered within the scope of the standard extended coverage endorsement. Keystone Funding will not accept hazard insurance policies that limit or exclude from coverage in whole or in part windstorm, hurricane, hail damage, civil commotion, including riots, smoke, hail, and damages caused by aircraft, vehicle, or explosion. If any of these perils are excluded from the primary insurance policy, coverage of the excluded peril must be covered by a secondary insurance policy.

Coverage Amount

The hazard insurance coverage must equal the lesser of the following:

- 100% of the insurable value of the improvements as established by the property insurer, OR
- The unpaid principal balance of the first mortgage and the second mortgage loan amount, as long as it equals the minimum amount - 80% of the insurable value of the improvements - required to compensate for damage or loss on a replacement cost basis.

Note: Properties located in mudslide zones or sinkhole areas may require additional coverage.

Deductible

The maximum allowable deductible for all property types is 5% of the face amount of the insurance policy. When a policy provides for a separate wind-loss deductible either in the policy itself or in a separate endorsement, that deductible must be no greater than 5% of the face amount of the policy.

Condominiums and PUDs: Type of Coverage

This insurance policy must provide, at a minimum, fire and all other hazards that are normally covered by the standard extended coverage endorsement and all other perils customarily covered for similar types of projects, including those covered by the standard "all risk" endorsement. All condominium insurance policies must meet agency requirements.

Condominium Requirements

The condominium association must maintain a master blanket insurance policy, with premiums paid as a common expense. The policy must cover all general and limited common elements normally included, such as fixtures, building service equipment, and common personal property and supplies belonging to the homeowners' association (HOA). The policy also must cover fixtures and other personal property inside individual units (e.g., stoves and refrigerators), whether or not the property is part of the common elements.

If the master or blanket policy does not provide interior unit coverage, replacement of improvements, and betterment coverage to cover any improvements the borrower may have made, the borrower must obtain an HO-6 Policy or "walls-in" coverage.

In addition, the hazard insurance policy should include the following provisions:

- Any Insurance Trust Agreement must be recognized.
- The right to subrogation against unit owners must be waived.
- The insurance must not be prejudiced by any acts or omissions of individual unit owners that are not under the control of the HOA.
- The policy must be primary, even if unit owners have other insurance that covers the same loss.

Note: A Special Condominium Endorsement usually covers the above four requirements.

PUD Requirements

The HOA must maintain a property insurance policy, with premiums being paid as a common expense. The policy must cover all common elements except those normally excluded from coverage, such as land, foundation, excavations, etc. Fixtures and building service equipment considered part of the common elements, as well as common personal property and supplies, should be covered.

Individual insurance policies are also required for each unit in the PUD project. If the project's legal documents allow for blanket insurance policies to cover both the individual units and the common elements, a blanket policy is acceptable in lieu of the insurance for the unit.

Impermissible Policies

The following are not permitted:

- A blanket policy that covers multiple unaffiliated condominium associations or projects.
- Self-insurance arrangements whereby the HOA is self-insured or has banded together with other unaffiliated associations to self-insure all of the general and limited common elements of the various associations.

Coverage

Insurance must cover 100% of the current replacement cost of the project improvements, including the individual unit in a condominium project. Coverage does not need to include land, foundations, excavations, or other items usually excluded from insurance coverage. An insurance policy that includes either of the following endorsements ensures full insurable value replacement coverage:

- A Guaranteed Replacement Cost Endorsement under which the insurer agrees to replace the insurable property regardless of the cost and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement which waives the requirement for coinsurance.

  OR

- A Replacement Cost Endorsement under which the insurer agrees to pay up to 100% of the property's insurable replacement cost, but no more and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement which waives the requirement for coinsurance.

Deductible

For policies covering the common elements in a PUD project and for blanket policies covering condominium projects, the maximum deductible amount must be no greater than 5% of the policy's face amount.

For losses related to individual PUD units covered by the blanket policy for the project, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit. If, however, the policy provides for a wind-loss deductible either in the policy itself or in a separate endorsement, that deductible must be no greater than 5% of the face amount of the policy.

For blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

Special Endorsements

The following special endorsements are required:

- An Inflation Guard Endorsement, when it can be obtained.
- Building Ordinance or Law Endorsement, if any building, zoning, or land-use enforcement will result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs. The endorsement must provide for contingent liability from the operation of building law, demolition costs, and increased reconstruction costs.

- A Steam Boiler and Machinery Coverage Endorsement, if the project has central heating or cooling. This coverage should provide for the insurer's minimum liability per accident to at least equal the lesser of $2 million or the insurable value of any buildings housing the boiler or machinery.

Name of Insured

The policy must show the HOA as the named insured. The named insured should be substantially similar to the following: "Association of Owners of the [name of condominium or PUD] for use and benefit of the individual owners" [designated by name, if required].

Earthquake Insurance

Keystone does not require earthquake insurance unless it is an agency requirement as listed in Keystone's program guidelines; however, if coverage is in place, the following applies:

Mortgage Clause Endorsement

The Broker must ensure that the earthquake insurance policy contains a standard mortgagee clause identifying the first or second mortgage interest. For second mortgage loans, this clause does not replace the mortgagee clause pertaining to the first mortgage loan.

Mine Subsidence Insurance (Pennsylvania only)

Mine Subsidence Insurance is required for Pennsylvania loans if Keystone has noticed that the property is undermined (e.g., by tunnels). Mine Subsidence Insurance is mandatory if notified or if the property is determined to be undermined.

Homeowner insurance companies sell Mine Subsidence Insurance and may have access to the Pennsylvania Department of Environmental Protection (DEP) website to verify if properties require this coverage. However, due to the specialized nature of the process, not all insurance companies have this access.

The Pennsylvania DEP website at https://www.dep.pa.gov/Business/Land/Mining/MineSubsidenceInsurance allows individuals to enter their address to determine if Mine Subsidence Insurance is required. Turnaround time may range from 2 days to 3 weeks, depending on the research needed.

Property Undermining Determination

To determine if the property is undermined, such information may be included in one of the following documents:

- Purchase Contract
- Appraisal
- Title Commitment

Coverage

Mine Subsidence Insurance must equal 80% of the structure's value or the maximum insurance available from the Pennsylvania Department of Environmental Protection, which is $250,000.

Evidence of Insurance

Evidence of Mine Subsidence Insurance may be any of the following:

- An original Hazard Insurance Policy that includes Mine Subsidence Insurance.
- If the Loan is a refinance, the original or a photocopy of an existing Mine Subsidence Insurance Policy from

the Pennsylvania Department of Environmental Protection and an Assignment of Interest Endorsement form.

- If the property is located in the Anthracite (hard coal) Region, an Assignment of Interest Endorsement form and a town map which has been marked with an X to show the location of the property.
- If the property is located in the Bituminous (soft coal) Region, an Assignment.

Flood Insurance

General Flood Insurance Requirements: Standard Flood Hazard

Flood insurance is generally required if any building, dwelling, structure, or improvement is located within a Standard Flood Hazard Area (SFHA) that has mandated flood insurance purchase requirements under the NFIP unless the mortgage is an FHA Section 240 mortgage. If flood insurance is unavailable because a community does not participate in NFIP, Keystone will not fund Loans secured by properties in those areas.

Location of Property within the SFHA

Flood insurance is required if any part of the principal structure is located within an SFHA. Flood insurance on detached buildings, such as stand-alone garages, sheds, or greenhouses, located within an SFHA is required if they serve as part of the security for the Loan.

Principal Structure Not Located Within an SFHA

If the principal structure on a property is not located within an SFHA, flood insurance generally is not required even if another detached structure on the property is located within the SFHA. However, if the detached structure is attached to the land and serves as part of the security for the Loan, flood insurance is required for the detached structure. It may be purchased through a separate policy on a general property insurance form, unless Keystone determines that the principal structure represents sufficient security for the Loan and releases the detached structure from the security. If buildings are “carved out” from the security, the property must be marketable in the event of foreclosure, and the “carve out” must be permissible under local zoning rules.

Waivers

Keystone will waive flood insurance requirements if the borrower obtains a letter from Federal Emergency Management Agency (FEMA) stating that its maps have been amended so that the buildings securing the Loan are no longer in an SFHA.

Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance

If any part of the principal structure is located within an SFHA, the Loan file must include the Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance that was provided to a borrower in accordance with the Flood Disaster Protection Act. The Loan file must contain evidence that the borrower received the Notice of Special Flood Hazards (NSFH) no later than 10 days prior to closing unless the Loan file documents why it was not feasible to meet that time frame. The NSFH must be provided prior to the day of closing.

Flood Insurance Coverage

Flood insurance coverage in at least the minimum coverage required by the NFIP and in accordance with applicable government agency guidelines is required.

Acceptable Policies

The flood insurance policy must be in the form of the standard policy issued under the NFIP. Policies that meet the

NFIP requirements, such as those issued by licensed property and casualty insurance companies authorized to

participate in the NFIP's "Write Your Own" program, are acceptable. Flood insurance for condominiums depends on the insurer and requires an RCBAP Policy.

Multiple Structures

If multiple buildings securing the Loan are located in an SFHA in a participating community, the insurance agent must determine the amount of insurance required on each building and add these amounts together to determine the minimum amount of flood coverage. A separate policy must cover each building securing a Loan. The total required flood insurance amount can be allocated among the secured buildings in varying amounts, but all buildings in an SFHA must have some coverage.

Policy Term

The policy must be written for at least a 1-year term.

Policy Effective Date

The policy effective date must be on or before the date the borrower's Loan is closed/funded.

Evidence of Insurance

At closing, the borrower must provide evidence that the property is covered by flood insurance in one of the following forms:

- Flood Insurance Policy
- Declarations Page, **OR**
- Copy of the Flood Insurance Application with a paid receipt for the first year's premium.

Escrow Policy

Keystone requires flood insurance premiums to be escrowed, regardless of loan-to-value. This applies to all Loans where the property is located in a flood zone, regardless of whether any other funds associated with the Loan are escrowed, such as taxes, hazard insurance premiums, or any other fees or charges. In cases where flood insurance premiums are paid by a condominium association or homeowners association, flood insurance will not be required to be escrowed.

Deductible

The maximum allowable deductible is the maximum deductible available from the NFIP (currently $10,000).

PUDS

Coverage Amount for Individual PUD Unit

The coverage amount is the same as for other 1-4 unit properties.

Coverage Amount for PUD Project

The policy must cover any common elements, buildings, and any other common property located in an SFHA. The flood insurance coverage must equal the lesser of the following:

- 100% of the insurable value of the facilities, OR

- The maximum coverage available under the appropriate NFIP Program

Deductible

Individual Unit - The maximum deductible available from the NFIP is currently $5,000. **PUD Project -** The maximum deductible available from the NFIP is currently $25,000.

Condominiums

Homeowners' Association (HOA)

The condominium HOA must obtain an NFIP Residential Condominium Building Association Policy (RCBAP) with the following coverages:

Building Coverage - Building coverage must equal the lesser of the following:

- 100% of the insurable value replacement cost of the building, including amounts to repair or replace the foundation and its supporting structure. OR
- The total number of units in the condominium building times $250,000. Contents coverage must equal the lesser of the following:
- 100% of the insurable value of all contents including machinery and equipment that are not part of the building, that are owned in common by the association members. OR
- The maximum amount of contents coverage sold by the NFIP for a condominium building.

Unit Owner's Coverage

Flood insurance is generally not required for individual condominium units. However, if a HOA refuses to obtain an RCBAP policy or when the RCBAP policy does not comply with the requirements above, the borrower must obtain a dwelling policy on the individual unit equal to the minimum amount of coverage for a 1-4 unit property as specified above.

Deductible

Individual Unit (if required) - The maximum deductible available from the NFIP currently $5,000. Condominium Project - The maximum deductible available from the NFIP is currently $25,000.

Properties Located in the Coastal Barrier Resources System or in an Otherwise Protected Area

Federal flood insurance may not be available for Loans in the Coastal Barrier Resources System (CBRS) or Otherwise Protected Area (OPA), as defined by the Coastal Barrier Resources Act. Private flood insurance is acceptable for these Loans. Coverage amounts and deductible must meet the requirements in this section.

Wind Storm Insurance

Windstorm coverage is generally included under the standard extended coverage policy through an endorsement. It is unacceptable if the policy excludes or limits the windstorm coverage. The borrower must obtain a separate policy or endorsement from another commercial insurer that, with the existing policy, provides adequate total coverage.

The maximum deductible for windstorm coverage is the highest of:

- 5% of the face amount of the policy
- $2,000

- The maximum allowed under state law.

Liability Insurance for PUDs and Condominiums

Type of Coverage

The HOA must maintain a commercial general liability insurance policy for the entire project, including all common areas and elements, public ways, and any other areas under its supervision. The insurance must also cover commercial spaces owned by the HOA, even if they are leased to others. The commercial general liability insurance policy must cover bodily injury and property damage resulting from the operation, maintenance, or use of the project's common areas and elements.

The association must also maintain any additional coverage commonly required by private institutional mortgage investors for projects similar in construction, location, and use.

Coverage Amount

Liability coverage must be for at least $1 million per occurrence for personal injury and/or property damage and the coverage must provide for claim settlements on an occurrence basis. This coverage is not required for limited project review condos or established, attached PUD projects.

Special Endorsements

The insurance policy must contain a "severability of interest" endorsement, which prevents the insurer from denying a condominium unit owner's claim because of the HOA or other unit owners' negligent acts.

Cancellation/Modification Requirements

The policy must provide written notice to the HOA for at least 10 days before the insurer can cancel or substantially modify it. For condominium projects, a similar notice must also be given to each holder of a first mortgage or share loan on an individual unit in the project.

Fidelity or Employee Dishonesty Insurance for Condominiums

Projects Requiring Fidelity Insurance

Fidelity insurance is required for condominium projects consisting of more than 20 units.

Minimum Property Insurance Types and Amounts: Type of Coverage

The HOA must maintain a blanket fidelity or employee dishonesty insurance policy covering losses resulting from dishonest or fraudulent acts committed by the association's directors, managers, trustees, employees, or volunteers responsible for handling funds belonging to or administered by the HOA. The policy must provide coverage for anyone who handles or is responsible for funds that the HOA holds or administers, whether or not that individual receives compensation for services. A management agent that handles funds for the HOA should be covered by its own fidelity insurance policy, which must provide the same coverage required of the HOA.

Coverage Amount

Coverage must equal the maximum amount of funds the HOA holds at any time while the policy is in force. A lower coverage limit is acceptable if the project's legal documents require the HOA and any management firm to adhere to specific financial controls. However, in such a case, the coverage limit must at least equal the sum of 3 months of assessments on all units in the condominium project. The financial controls must include at least one of the following:

- The condominium HOA or its management firm maintains separate accounts for the operating budget and the reserve fund. The depository institution in which funds are deposited sends copies of the monthly account statements directly to the association.

- Separate records and accounts are maintained for each condominium HOA or other community association using the management firm's services. The management firm does not have the authority to draw checks on or to transfer funds from the reserve fund of the condominium owners' association.
- Two or more members of the board of directors must sign any checks drawn on the reserve account.

Name of Insured

The fidelity bond or insurance policy must name the HOA as the insured, and the association must pay premiums as a common expense.

Cancellation/Modification Requirements

The policy must provide that the insurer will notify the HOA at least 10 days before canceling or substantially modifying the policy.

Mortgage Insurance (MI)

If primary mortgage insurance is required by the Loan program, as stated in Keystone's program guidelines, an escrow/impound account must be established at closing for monthly payment of future premiums, unless a single premium is paid in full at closing or unless the Loan was priced with lender-paid mortgage insurance.

Note: Refer to Keystone's program guidelines for specific MI requirements for each program type.

Private Mortgage Insurance (PMI) Drop Off in Payment Schedules

The Homeowner's Protection Act sets out rules for terminating PMI insurance on residential home Loans. It provides that the borrower may request PMI cancellation when the Loan's principal balance reaches 80% of the property's value and that the servicer must cancel PMI when the Loan's principal balance reaches 78% of the property's value.

Because the reduction in the principal balance to 78% of the property's value would rarely coincide exactly with the timing of the monthly payment, lenders cut off the MI payment just above the cancellation figure (i.e., 78.05%) or just below (i.e., 77.95%). The calculation of when the servicer must cancel PMI affects the payment schedule on the TIL disclosure. If the PMI payment is dropped just above the 78% LTV, the payment schedule will show 1 month or more fewer PMI payments than if the PMI payment is dropped just below the 78% LTV.

Since the 78% does not coincide exactly with the timing of the monthly payment, the principal balance will actually be below 78% when the PMI payments can be dropped.

Cancellation: Original Borrower

The MI must be canceled if either it is required by law or all of the following conditions are met, and the borrower requests:

- 2 years have elapsed since the origination of the Mortgage.
- The unpaid principal balance of the Loan has been reduced to the LTV where mortgage insurance is not required under the Loan programs, at the time the Loan was purchased by Keystone, where the value is:
    - Based upon the original appraised value of the property, and the Servicer represents that the current value of the Mortgaged Premises is at least equal to the original appraised value. **OR**
    - Based upon a current appraised value ordered by the Servicer from their approved appraiser list and

paid for by the borrower. The applicable appraisal form must be used, and it must have been performed within 120 days of the request to cancel the MI. Under certain circumstances, based upon the structure of the pool in which a Loan may be, it may not be possible to cancel MI on an individual Loan where a new appraisal is used to determine the current LTV.

- The borrower’s monthly installment of principal, interest, and escrow/Impound was never more than 30 days past due for the 12 months immediately preceding the date insurance cancellation is requested, and no payment was 60 days or more past due in the past 24 months.
- There was no other default under the terms of the Loan at any time during the same 12-month period.

Title Insurance

Title insurance must comply with the following requirements:

- The amount of coverage must be equal to the face value of the mortgage. Loans with either scheduled negative amortization or the potential for it require coverage that equals the original mortgage amount of the Loan plus the maximum amount of potential negative amortization as stated in the Note and/or rider. If an equivalent endorsement is obtained, it must protect an amount sufficient to cover the mortgage amount, plus the maximum negative amortization permitted in the Note and/or rider.
- All title Commitments and/or policies must be issued by an approved American Land Title Association (ALTA) insurance company. Before any Loan disbursement, a marked-up title binder for an ALTA title policy indicates Keystone’s proposed lien position is required. If proof of satisfaction/release is a condition for eliminating any liens on the title, copies of these documents must be retained with the title work.
- All judgments and liens must be paid, subordinated, or insured.
- Real estate taxes must reflect, “Not yet due and payable.” On condominiums and PUDs, taxes can only be assessed against the subject unit and its undivided interest in the common areas and not the project as a whole.
- In purchase transactions, the home seller must be the owner of record.

Title Insurer

The title insurance policy must be issued by a title insurer that is acceptable to Fannie Mae or Freddie Mac and qualified to do business in the state where the Mortgaged Premises are located.

Form

The title insurance policy must be written on the current standard form required by ALTA or other forms currently acceptable to Fannie Mae or Freddie Mac.

Short Form Title Policy - Title insurance in the form of a Short-Form Residential Loan Policy is acceptable under the following conditions:

- Eligible Property Types: Single Family, Condominium, PUD (Attached/Detached)
- 1-2 Units
- Note: Title Insurers may have restrictions on issuance of the ALTA Short Form Policy in conjunction with an owner’s policy.

Ineligible Transactions

Leasehold Properties require the use of a Standard ALTA Title Insurance Policy. Program Guideline restrictions – Refer to specific program guidelines

Requirements

The Loan file must contain a copy of the Warranty or Grant Deed (existing or new, depending on the loan purpose). It contains the property address and legal description in Paragraph 4 of Schedule A.

Contains evidence of current vesting. Contains a 24-month chain of title.

Always includes ALTA Form 100, Comprehensive Endorsement Form 9 for affirmative coverage, and ALTA.

8.1 Environmental Lien Endorsement.

Policy Endorsement

All applicable ALTA endorsements. For Condos use ALTA Endorsement Form 4-Condominium. For PUD use ALTA Endorsement Form 5-PUD.

Manufactured Homes require ALTA 7.1

For an Adjustable Rate (ARM) Loan, use ALTA Endorsement Form 6-Variable Rate. For Restrictions, Encroachments, and Minerals, Form 9

Restrictions

The standard ALTA Short Form Policy is NOT available in the following states:

- Oregon – Standard ALTA Residential Loan Policy is required.
- Texas – Must use the TX Short Form Residential Loan Policy of Title Insurance and Addendum T-2R.
- New Jersey – Must use NJ Enhanced Coverage Short Form Policy 2-12. Keystone may refuse to accept the master title insurance policy of any title insurer.

Effective Date

The effective date of the title insurance policy must be no earlier than the date on which the Security Instrument was recorded.

Lien Requirements

The title insurance policy must insure that the Security Instrument creates a valid first or second lien on the Mortgaged Premises.

The policy must list any lien for secondary financing and state that the lien is subordinate to the lien of the Security Instrument.

Acceptable Minimum Coverage

The acceptable minimum title insurance coverage must at least equal the current principal balance of the Loan.

Exceptions

The title insurance policy must not be subject to any exceptions, other than those permitted under the Title Exceptions section.

Required Endorsements

Each title insurance policy must contain the following endorsements or provide equivalent affirmative coverage, if applicable to the loan: ALTA Endorsement form 8.0 (CLTA 110.8) or 8.1 (CLTA 110.9), Environmental Protection Lien Endorsement is required for all loans originated after 12/1/87. ALTA form 8.0 must be included with the 1987 ALTA form of title insurance policy. ALTA form 8.1 must be included with the 1970 ALTA form of title insurance policy.

ALTA Endorsement form 4 (CLTA 115.1). Condominium Endorsement is required for all loans secured by a condominium unit.

ALTA Endorsement form 5 (CLTA 115.2). PUD Endorsement is required for all loans secured by a PUD unit.

ALTA Endorsement form 6.0 (CLTA 11.5) or 6.1 (CLTA 111.6) or 6.2 (CLTA 111.8). Variable Rate Mortgage Endorsement is required for all ARM loans. ALTA form 6.0 or 6.1 is required for all ARM loans.

CLTA Endorsement form 100 and form 116. Comprehensive Endorsement and a Location Endorsement are required for all loans in areas where surveys are not customary.

CLTA Endorsement form 110.5. Modification of Mortgage Endorsement (bring-down endorsement) is required for all converted ARM Loans and all loans that have had the terms of the Security Instrument modified.

Title Exceptions and Impediments Title Exceptions

The title to the Mortgaged Premises must be good, marketable, and free and clear of all encumbrances and prior liens. Keystone will not purchase a loan secured by property that has an unacceptable title impediment, including unpaid real estate taxes and survey exceptions.

Minor Impediments to Title

The title for a property is acceptable even though it may be subject to the following conditions, which Keystone considers minor impediments:

- Customary public utility subsurface easements, the location of which are fixed and can be verified, providing that the exercise of rights of easement will not interfere with the use and enjoyment of any present improvements on the Mortgaged Premises or proposed improvements upon which the appraisal or Loan is based.
- Above-Surface public utility easements that extend along one or more property lines for distribution purposes or along the rear property line for drainage, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the Mortgaged Premises itself.
- Any encroachment on an easement for public utilities by a garage or any other improvement, except those improvements that are attached to, or are a portion of the main dwelling structure, provided this encroachment does not interfere with the use of the easement or exercise of rights or repair and maintenance.
- Cost, minimum dwelling size, use, building materials or setback restrictions as long as its violation will not result in the forfeiture or reversion of the title or lien of any kind for damages, or have an adverse effect on the fair market value of the Mortgaged Premises.
- Mutual easement agreements that establish joint driveways or Party Walls constructed on the Mortgaged

Premises and on an adjoining property, as long as all future owners have unlimited and unrestricted use of them.

- Encroachments of 1 foot or less on adjoining property by eaves or other overhanging projections or by driveways, as long as there is at least a 10 foot clearance between the buildings on the Mortgaged Premises and the property affected by the encroachments.
- Encroachments on the Mortgaged Premises by improvements on adjoining property where these encroachments:
- Extend 1 foot or less over the property line of the Mortgaged Premises. AND
- Have a total area of 50 square feet or less. AND
- Do not touch any buildings. AND
- Do not interfere with the use of any improvements on the Mortgaged Premises or the use of the Mortgaged Premises not occupied by improvements.
- Encroachments on adjoining properties by hedges or removable fences.
- Outstanding oil, water, or mineral rights customarily waived by other lenders are acceptable, as long as they will not result in damage to the Mortgaged Premises or impair its use for residential purposes.
- Liens for real estate or ad valorem taxes and assessments not yet due and payable.

Title Defect - Unexpired Redemption Periods

Certain state laws provide a "redemption period" after a foreclosure or tax sale has occurred. During the redemption period, the property may be reclaimed by the prior mortgagor or other party upon payment of all amounts owed. The length of the redemption period varies by state and does not expire automatically upon sale of the property to a new owner.

Properties with unexpired redemption periods have unacceptable title defects. If a Loan is secured by a foreclosed property in a state where a redemption period is allowed, Keystone will not close until the redemption period has expired and the foreclosure sale has been confirmed. The purchase of additional insurance, a redemption bond or similar coverage during the redemption period does not remedy the title defect and the Loan is ineligible.

Survey Requirements

Plat of Survey or Improvement Survey

Broker must submit a plat of survey or improvement survey with the title commitment it sends to Keystone. In areas where surveys are not customary, the title insurance policy must ensure against loss or damage by any violation, variation, encroachment, or adverse circumstance that an accurate survey would have disclosed. Note that a survey is not required for condominium units.

The survey must be based on the results of an instrument survey performed, dated and certified by a licensed civil engineer or registered surveyor. The survey must have been performed, dated, and certified within 1 year from the date of issuance of the title insurance policy insuring a particular Mortgaged Premises. A survey more than 1 year old will be accepted, provided the survey has been recertified by a licensed civil engineer or a registered surveyor within the past year. The survey must be certified to Keystone and the company furnishing the title insurance policy.

The survey must present the following information:

- The location by courses and distances of the plot covered by the Security Instrument. The relation of the point of beginning of the plot to the monument from which it is fixed. All easements adjacent to the plot, any established building line, the street or streets abutting the plot and the width.

- Any encroachments and the extent of any encroachments in terms of feet and inches upon the plot or any easement appurtenant to the plot.
- All structures and improvements on the plot with horizontal lengths on all sides and the relation of the structure and improvements by distances to all boundary lines of the plot, easements, established building lines and street lines.
- If the plot is described as being on a filed map, the survey must contain a legend relating the plot to the map on which it is shown. The survey must disclose and provide assurance that the improvements erected lie wholly within the boundaries of the plot and that no part of the improvements encroach upon or overhang an easement or right of way or upon the land of other sections, unless an affirmative title policy endorsement is obtained. The survey must also provide proof that the improvements are wholly within the established building restriction lines and that no adjoining structure encroaches upon the plot or upon any dominant easement appurtenant to the plot.

Variations in Length of Property Lines

Variations between the property lines' length as shown on the appraisal and on the survey are acceptable as long as:

- The variance does not interfere with the current use of any of the improvements on the Mortgaged Premises.
- The variance in the length of the front line is not deficient by more than 2%, and the variance in length of any other line is not deficient by more than 5%.
- The appraiser must provide a statement about any other variations, explaining how they affect the Mortgaged Premises' value. If MI is required, Keystone must obtain a statement from its carrier, stating that the variance will not affect the insurability of the Mortgage.

Power of Attorney

Power of Attorney on Behalf of the Borrower

Keystone will permit the use of a Power of Attorney (POA) to designate an attorney-in-fact/ agent to execute closing documents for individual borrowers in certain instances when a borrower is unable to execute closing documents.

The POA language must be specific to the transaction, meaning the POA document must identify the transaction and property (however, for soldiers on active duty, a standard military POA may be used instead of a POA that is specific to the transaction).

Borrower(s) names must match exactly the title commitment vesting section. The POA must be signed and dated prior to the Date of the Note.

Be signed and dated by the party granting the POA.

Be signed by an appropriate "witness" (if required by state law). Be in effect on the date of the closing transaction.

Be notarized

Recorded prior to closing or in the correct sequence at the time of recordation of all closing documents. No older than 6 months from the date of closing.

Insured by the title company without exception to the POA

The attorney-in-fact must be a co-borrower on the Loan or a disinterested third party. For example, the attorney-in-fact cannot be a realtor, loan officer, company employee, party to the transaction, or title company employee.

POA may not be used when the title is taken in the name of a trust.

A POA may not be utilized in a Cash-Out Refinance Transaction. **Exception: Military personnel, using a Military POA, deployed abroad where permitted by the applicable financing program.

Proof must be submitted verifying deployment abroad.

POA for borrowers in conservatorship is not allowed.

The initial 1003 must be signed by the borrower(s) or, for active military borrowers only, follow VA guidelines. If multiple borrowers exist on the Loan, at least one borrower must sign the closing documents.

An attorney-in-fact on the same Loan cannot represent all borrowers. Meet all state-specific requirements.

A Durable POA may be acceptable. Durable POA allows a mentally competent person, called the "Principal", to authorize a second party, called the "Agent or Attorney-in-Fact", to act on his or her behalf, even if the Principal later becomes incapacitated. This particular form becomes effective upon disability or incapacity of the Principal. A Durable POA should always be notarized, especially if the Agent will be dealing with real property. Notarization allows the Durable POA to be recorded as a public record, if necessary.

POA for cash-out transactions are prohibited.

Veterans' Use of a POA

Veterans who use General Military POA must include the “durable” language to be acceptable to Keystone.

POA’s on VA loans must meet all current VA requirements, including but not limited to all other POA requirements stated herein and those additional requirements stated below.

A POA may be used to make an application for a VA loan.

The veteran must intend to occupy the property upon his/her return from overseas service, or upon his/her termination from the Armed Forces.

An immediate family member must occupy the property during the veteran’s absence.

A statement of intent to occupy the subject property as the veteran’s primary residence must be included. The POA must include the following information:

- The specific property address of the subject property.
- The sales price of the subject property is used for a purchase, unless the veteran has signed the sales contract.
- A statement authorizing the use of all or a specific amount of entitlement for purchase or refinance.
- If the veteran is currently in the Armed Forces, the commanding officer or other Armed Forces representative may attest to the veteran’s signature as permitted by VA requirements.
- Obtain proof veteran is alive and not in a missing-in-action status, in accordance with current VA requirements.

Living Trust Policy Overview

A "Living Trust," also called an "Inter Vivos Revocable" trust, is simply a trust one can create while alive, rather than a trust that is created upon one’s death. In certain circumstances, a “Living Trust”, will be acceptable as a borrower. An Inter Vivos or Living Trust is established when one person, known as the grantor/trustor/settlor, transfers legal title to certain assets to a second person, known as the trustee, in trust, who will hold and manage such assets for the benefit of a third person, known as the beneficiary. In most cases, the grantor/trustor/settlor will be the same individual as the trustee and/or the beneficiary.

Definitions

Beneficiary: The party that benefits from the property held by the living trust. For Keystone’s lending purposes, the primary beneficiary must be a grantor/trustor/settlor.

Grantor/Trustor/Settlor: The person(s) who established or created the living trust and contributed the property directly to the trust. The use of the term grantor, trustor, or settlor depends on the state where the living trust was created or originated.

Trustee: A person who holds or controls property and manages it for the benefit of another (the beneficiary). It is the person who, according to the living trust agreement, has been granted the power to mortgage, buy, or sell the subject property and administer the living trust. For Keystone’s lending purposes, the Trustee(s) must be or must include a grantor/trustor/settlor. An institutional trustee (i.e., bank, trust company or attorney) that customarily performs trust functions under the laws of the state may be a co-trustee

Inter Vivos Revocable Trust: Inter Vivos is the Latin term for "between the living." Therefore, it is a trust that an individual creates and that becomes effective during the creator's lifetime.

Revocable: A living trust is called "revocable" when the grantor/trustor/settlor can change or cancel it at any time, for any reason, while she/he is living. This ability to revoke the living trust is important because it allows the grantor/trustor/settlor, who would otherwise own the property directly, to retain control of the property.

Irrevocable Trust: An Irrevocable Trust is a permanent trust that cannot be altered, amended or revoked by the grantor/trustor/settlor, once it is created. Irrevocable Trusts are not eligible for financing at Keystone.

Blind Trusts: A blind trust is an arrangement where a person's financial holdings are placed in the control of a fiduciary, typically to avoid a conflict of interest. Therefore, someone other than the borrower has control over the trust assets. Blind trusts are not eligible for financing at Keystone.

Life Estates: A life estate is an estate whose duration is limited to the life of the party holding it, or some other person, and upon whose death the right reverts to the grantor/trustor/settlor of his heirs. Life estates are not eligible for financing at Keystone.

Eligibility Requirements

Eligible Borrower: The borrower must be an individual. Normally, this is the grantor/trustor/settlor and the trust beneficiary. Property Type: 1-4 units, owner-occupied (satisfied by Grantor/Trustor/Settlor and occupies the property), second homes, and investments

Type of Trust Allowed

Inter Vivos/Living Trusts are allowed. All Inter Vivos/Living Trusts must be revocable.

Ineligible Trust:

Irrevocable Trust, Blind Trusts, Life Estates

Required Documents

The following are required:

- Complete copy of the Trust certified by the borrower to be accurate.
- Attorney Opinion letter from the borrower's attorney verifying all of the following:
- The trust was validly created and duly exists under applicable law.
- The trust is revocable.
- The borrower is the grantor/trustor/settlor of the trust and the beneficiary of the trust.
- The trust assets may be used as collateral for a Loan.
- The trustee is:
- Duly qualified under applicable law to serve as trustee.
- Is the borrower
- Is the settlor
- Is fully authorized under the trust documents and applicable law to pledge or otherwise encumber the trust assets.
- Completed Living Trust Checklist.
- Inter Vivos Revocable Trust Rider to the deed of trust/mortgage

Exception for Trust Certificate Authorized States

In lieu of the Attorney's Opinion letter and copies of Trust documents a title company Trust Certification is acceptable for the following states: Alabama, Arizona, California, Delaware, Washington DC, Maine, Nevada, North Carolina, Oregon, Pennsylvania, South Carolina, Texas, Vermont, Virginia; The same terms and conditions apply as shown above for the Attorney Opinion letter.

Legal Title Requirements

Title may be held in the following manner only:

- One or more borrowers with one living trust. OR
- Two or more borrowers with separate living trusts. OR
- As an individual not a party to the trust and in the name of the Trust or the Trustee.

Title Insurance

The title insurance policy cannot list any exceptions arising from the trust ownership of the property.

Executing the Loan Documents

Due to the multi capacity of parties involved in an Inter Vivos revocable trust the Loan documents must be executed by all required parties and in a set manner.

The following delineates who must sign the trust documents. Only the documents noted in the following tables need to be signed by the trust. All other Loan documents may be signed as individual borrowers.

Document Signature Requirements - The Note

Each Trustee as individual or trustee of the trust (whether individual or corporate) must sign

Each grantor/trustor/settlor whose income or assets were used to qualify for the Loan, as an individual. Each individual, not a trustee whose income or assets were used to qualify for the Loan.

The date of the Trust must be reflected on the Note as part of the description below the trustee's signature,

e.g. Jane Doe, Trustee of the Jane Doe Trust dated April 1, 2000.

A Note with a Signature Addendum may be used if there is not enough space on the Note for the signatures of the trustee(s). The Note must clearly reference the existence of the Signature Addendum.

Each Grantor/Trustor/Settlor (regardless of whether they are also signing as a trustee) must sign individually in the Borrower's signature lines on the Note itself; only the signature(s) of the trustee(s) may be included on the Signature Addendum. The Signature Addendum must comply with all applicable laws and must result in a properly signed and legally enforceable Note. The Signature Addendum must be:

- Permanently affixed to the Note
- Clearly identify the Note by referencing the following:
- Name(s) of Borrower(s) Note Date
- Property address
- Original principal balance of the Note
- Refer to the Signature Requirements section within this procedure for signature examples.

The Security Instrument and all Riders

Each trustee as trustee of the trust, whether individual or corporate. Each individual who is a borrower and/or has an interest in the property.

The Inter Vivos Revocable Trust Rider

Each trustee as trustee of the trust, whether individual or corporate.

Each settlor whose income or assets were used to qualify for the Loan, as an individual. Each individual that has an interest in the property.

A Security Instrument Signature and Acknowledgement Form may be used if there is not enough space on the Security Instrument for the signatures of the Trustee(s). The Security Instrument Signature and Acknowledgement must be executed by the Trustee(s) on behalf of the trust, indicating the complete legal name of the trust, using the following format:

- Refer to the Signature Requirements section within this procedure for signature examples. Below is an example of a notary acknowledgement for the Security Instrument:
    - Settlor of the John Adams Smith Trust under Trust Agreement date _April 1, 2010, agrees that the term
    - "Borrower" when used in this Security Instrument shall include the Settlor and the Settlor acknowledgements and agrees to be bound by all of the terms and covenants contained in this Security Instrument and any Rider to this Security Instrument.

- SETTLOR:
- Mary Smith_ (SEAL)
- *(Acknowledgement by notary public)*

The Inter Vivos Trust as Borrower Acknowledgement

Each grantor/trustor/settlor whose income or assets were used to qualify for the Loan, as an individual.

Signature Requirements

If a Note/Security Instrument is secured by a Mortgaged Premises held in a living trust (Inter Vivos or revocable), the Note must be signed by the borrower(s) as individual(s) and as trustee(s) on behalf of the trust. The Note/Security Instrument must clearly indicate the name of the trust on the signature page.

Trustees Use of POA

Loan documents cannot be executed through the use of a POA.

Loan Documentation and Disclosure Requirements

Application (1003)

All of the following guidelines on the 1003 must be met: Keystone requires a completed fully executed 1003; Initial and final 1003s must be provided; Initial must be complete; and signed by the loan officer and by the borrower(s); Final must be complete and signed by the borrower(s); All HMDA data must be completed; Loan originator's name and NMLS ID; Company name and NMLS ID; Either the branch or the company NMLS ID number may be reflected on the initial and final 1003.

Escrows/Impounds/Establish Tax Due Date

Tax due date is determined by using the Discount Date or Economic Loss date provided by each taxing authority, which represent payment dates most beneficial to the borrower. The settlement agent is to provide Keystone with the next tax due dates for each Loan submitted.

Delinquent Taxes

All delinquent taxes must be paid on or before the Loan closing. Either a title binder showing these taxes as paid, or a paid receipt, must be included with the closing package.

Escrows for New Construction to Permanent and Purchase Transactions

To avoid "payment shock" Regulation X applies to escrows for new construction Loans.The Broker shall estimate the amount of escrow account items to be disbursed. In cases of new construction which has not been assessed at the time of closing, the Broker may base an estimate on the assessment of comparable residential properties in the market area.

Keystone must close the Loan using the most accurate assessment of what the property taxes on the subject property will be once assessed by the local jurisdiction.

Note: Supplemental tax bills are not sent to lenders and are the sole responsibility of the borrower even if the Loan is impounded. However, if Keystone receives a request from the borrower to pay supplemental taxes from their impound account and provides a copy of the bill Keystone will disburse it from escrow. The borrower would be responsible for any penalties incurred if the request is not received in a timely manner. Escrow shortages resulting from payment of supplemental taxes will result in an escrow analysis and increased payment due from the borrower.

Insurance Policy

Escrow accounts: The policy must have a remaining term of at least 120 days after closing. Escrow/impound accounts are not allowed on Reverse Mortgages.

Non-escrow accounts: The policy must have a remaining term of at least 30 days after closing. If the renewal insurance policy is not available, obtain one of the following: Temporary binder from the insurance company; Offer of renewal from the insurance company; Quote with underwriting approval from a new company; On an annual basis, each Loan is reviewed according to assure compliance with the state requirements.

Loan Pricing

For the purpose of pricing, Loans with partial escrow accounts are classified as non-escrow accounts. Example: Property taxes are escrowed and hazard insurance is not collected.

For additional information regarding pricing, please contact the Sales Executive or refer to the Wholesale Lock Policy.

Temporary Buydowns

2/1 Buydowns are available for Agency, FHA, and VA Fixed Rate programs; Purchase Transactions Only, Primary Residence and Second Homes, Seller Paid Only.

State and Federal Disclosures

The Broker is responsible for providing to the borrower all disclosures required of the broker in accordance with

federal or state laws and regulations. The Broker is to provide to Keystone a complete copy of the Broker's Loan file, including all disclosures. These disclosures are the broker's responsibility. All disclosures must be in compliance with state, federal and local mortgage lending laws and regulations. Keystone will accept Loans in which borrowers received initial federal and state disclosures electronically, according to the requirements outlined by the Electronic Signatures in Global and National Commerce (E-SIGN) Act of 2000. Refer to Keystone's Electronic Delivery & Signature Policy, for more details.

Loan Estimate

Upon receipt of a request to for disclosures by the Broker, submitted through the Keystone broker portal, Keystone will issue an initial Loan Estimate (LE) to the borrower(s) within three business days, as required by applicable federal, state, and local law. Keystone issues a Loan Estimate on all loans, including those secured by investment properties. Keystone does not recognize a business purpose exemption from this requirement; investment properties are consumer credit transactions for purposes of this policy and are subject to TRID disclosure requirements accordingly.

The Broker is responsible for providing to the borrower all disclosures required of the Broker — as distinct from those required of the Lender — under applicable federal, state, and local laws and regulations. The Broker shall indemnify Keystone for any loss or costs, including reasonable attorneys' fees, incurred as a result of the Broker's failure to provide required disclosures or any improper disclosure on the part of the Broker.

Keystone will not accept loan applications with an application date more than three (3) business days prior to submission through the Keystone broker portal. Applications submitted outside this window will be rejected.

Brokers may not issue revised LEs after a loan has been submitted to Keystone. If a valid change of circumstance arises after submission, the Broker must promptly notify Keystone, and Keystone will issue any required re-disclosure.

ECOA Appraisal Delivery Requirements

Keystone provides a copy of any appraisal report(s) or written valuation(s) concerning the borrower's property promptly upon completion and in any event no less than 3 business days prior to the closing of the Loan. Borrowers must receive a copy of the appraisal(s) or written valuations(s) at least 3 business days prior to closing or they may waive their right to receive a copy. The waiver must be obtained at least 3 business days prior to closing.

ECOA Appraisal Delivery Waivers

Keystone allows waivers in certain circumstances. Appraisal delivery waivers are only to be used in the event that the timing of the appraisal completion conflicts with meeting the required delivery time frame based on the scheduled closing date. The practice of requiring a blanket waiver for the 3 business day delivery requirement on all Loans is unacceptable. When the advance delivery requirement is waived by the borrower, a copy of the appraisal(s) or written valuation(s) is still required to be provided no later than closing (as defined in this Section). In all circumstances, the date and method of delivery of each appraisal to the borrower, even if delivered by hand at closing, must be documented in the delivered Loan file. The waiver of the advance delivery of appraisals cannot be requested by the borrower at closing and must be acknowledged by the borrower at least 3 days prior to closing.

FOR CLERICAL ERRORS ONLY: A borrower may request a waiver anytime up to and including the date of consummation.

The ECOA provision allowing a consumer to waive the requirement that the appraisal copy be provided 3 business days before consummation does not apply to HPML. The consumer of an HPML may not waive the timing requirement to receive a copy of the appraisal.

Appraisal

Refer to Keystone's program and underwriting guidelines for specific program requirement and required appraisal products.

Credit Report

A complete credit report is required on all Loans. Refer to Keystone's program and underwriting guidelines for specific requirements based on Loan program.

Rescoring and Credit Repair

Keystone prohibits the use of credit repair services designed to falsely improve a borrower's credit profile through the intentional manipulation of credit data for purposes of loan eligibility, pricing improvement, or creditworthiness. If the use of such services is discovered at any point during the loan process, the Loan will be deemed ineligible.

Keystone reserves the right to independently evaluate the legitimacy, accuracy, and guideline compliance of any credit history and credit scores submitted in connection with a Loan.

Loans where the borrower has utilized the following legitimate consumer credit services remain eligible for purchase: credit monitoring services; fraud alerts; non-profit credit counseling services; or credit reporting agencies as defined by the Fair Credit Reporting Act.

Tax Transcripts

Keystone requires the execution of the 4506-C on all Loans prior to funding, with the exception of VA IRRRLS and non-credit qualifying Streamlines. Transcripts may be required for all borrowers whose income is used in qualifying. Only the years of income used in qualifying the Loan are required to be validated with transcripts.

Security Number Verification Form

If verification with the SSA is required, the Authorization for the Social Security Administration to Release Social Security Number Verification, form SSA-89, must be completed by the borrower(s). This form can be found on the Broker Portal or the SSA website, www.ssa.gov/forms/ssa-89.pdf, Keystone must receive the SSA's response directly through its vendor or the SSA.

Repair Escrow

Keystone will permit escrow accounts established for postponed improvements, provided they comply with Fannie Mae, Freddie Mac, FHA, or VA, whichever is appropriate. Either Keystone or a disinterested third party may hold or administer escrow holdbacks. Any repairs relating to health, safety, or structural integrity will be considered on a case-by-case basis.

Required Documents

Standard Submission Package

The following is not a complete list and Keystone reserves the right to ask for additional documentation:

- 4506-C current form, must include ISAOA after third parties company name on line 5
- Loan Estimate of closing costs (initial and any re-disclosed)
- Fee Worksheet or Itemization
- Any re-disclosed LEs must have a corresponding COC
- Settlement Service Provider list
- Net Tangible Benefit worksheet (if applicable)
- Credit Authorization
- Credit Score Disclosure
- Federal Equal Credit Opportunity Act Notice (ECOA)
- Preliminary Title Report
- Loan Application (1003) (signed and dated by the loan originator and borrower accordingly)
- Invoices for all third-party services
- Loan Options Disclosure

VA Loans

VA Interest Rate Reduction Refinancing Worksheet (IRRRLs only) VA Loan Comparison (Old vs. New Worksheet) (IRRRLs only) VA Child Care Statement (if applicable)

VA Nearest Living Relative

VA Rights of VA Loan Borrowers (active duty only)

VA Counseling Checklist

VA Assumption Notice for purchase only, aka Notice to Homeowner's Assumption of VA Guaranteed Mortgages or

Rights of VA Loan Borrowers

Amendatory Clause / VA Escape Clause for purchase only executed by all parties.

FHA Loans

CAIVRS Authorization

Addendum to URLA (92900A) Informed Consumer Choice Disclosure Important Notice to Homebuyers (92900B) (purchase only)

Notice to Homeowners-Assumption of HUD/FHA Insured Mortgages Amendatory Clause executed by all parties (purchase only)

Real Estate Certification executed by all parties (purchase only) For Your Protection, Get a Home Inspection (purchase only)

USDA Loans

All required USDA Program Documents/Disclosures. ARM or Fixed PMI disclosure, depending on the program