

# APPLICATION

## Mortgage Bankers & Brokers Fidelity and Mortgagee's E&O / PL / D&O

### MORTGAGE BANKERS/BROKERS

(Check which coverage(s) for which this Application is made for below)

- FIDELITY AND MORTGAGEE'S E&O INSURANCE POLICY
- PROFESSIONAL SERVICES LIABILITY INSURANCE POLICY
- DIRECTORS' AND OFFICERS' REIMBURSEMENT INDEMNIFICATION POLICY

NOTICE: IF A PROFESSIONAL LIABILITY POLICY OR DIRECTORS AND OFFICERS POLICY IS ISSUED, THE POLICY FOR WHICH THIS APPLICATION IS MADE (THE "POLICY"), SUBJECT TO ITS TERMS, APPLIES ONLY TO ANY THIRD PARTY CLAIM (AS SET FORTH IN THE POLICY) MADE AGAINST THE ASSURED (AS DEFINED IN THE POLICY) DURING THE POLICY PERIOD OR OPTIONAL EXTENSION PERIOD (IF APPLICABLE) AND REPORTED TO THE UNDERWRITERS WITHIN 30 DAYS AFTER THE EXPIRATION DATE OF THE POLICY PERIOD OR THE OPTIONAL EXTENSION PERIOD (IF APPLICABLE). THE LIMIT OF INDEMNITY AVAILABLE TO PAY DAMAGES OR SETTLEMENTS SHALL BE REDUCED AND MAY BE EXHAUSTED BY AMOUNTS INCURRED AS COURT COSTS AND ATTORNEYS' FEES AND COURT COSTS AND ATTORNEYS' FEES SHALL BE APPLIED TO THE DEDUCTIBLE.

### GENERAL INSTRUCTIONS

1. Please read carefully and answer all questions. If a question is not applicable, so state. If space is insufficient to answer any question fully, attach a separate sheet.
2. The original Application Form must be submitted. (For new applicants only)
3. This Application Form and all exhibits shall be held in confidence. The following information must accompany this Application Form and will be considered a part of the Application:
  - a.  Most recent year-end audit report, including auditor's comments on compliance and internal controls.
  - b.  If audit report is more than 6 months old, a current balance sheet and year-to-date income statement;
  - c.  Current organizational chart and key management resumes; (if available)
  - d.  List of all companies desiring this proposed insurance, date acquired and founded along with ownership interest held;
  - e.  **(For D&O applicants only):** Copies of the provisions of the Charter or By-Laws covering Indemnification of Directors and Officers.

### APPLICANT INFORMATION

COMPANY NAME \_\_\_\_\_

ALL PREVIOUS COMPANY NAME(S) - (IF APPLICABLE) \_\_\_\_\_

STREET ADDRESS \_\_\_\_\_

CITY, (COUNTY OR PARISH), STATE, ZIP \_\_\_\_\_

MAILING ADDRESS (IF DIFFERENT) \_\_\_\_\_

E-MAIL ADDRESS \_\_\_\_\_

WEB-SITE ADDRESS \_\_\_\_\_

PHONE \_\_\_\_\_ FAX \_\_\_\_\_

CONTACT PERSON \_\_\_\_\_ TITLE \_\_\_\_\_

STATE OF INCORPORATION OR CHARTER \_\_\_\_\_

DATE OF INCORPORATION \_\_\_\_\_

DATE SINCE WHICH YOU HAVE BEEN CONTINUOUSLY DOING BUSINESS \_\_\_\_\_

IS THE COMPANY PUBLICLY TRADED? \_\_\_\_\_

HOW DID YOU HEAR ABOUT US? \_\_\_\_\_

**COMPANY INFORMATION (1-11)**

1. LIST (OR ATTACH A LISTING OF) ALL MORTGAGE ASSOCIATIONS THAT YOUR COMPANY IS A MEMBER OF:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. LIST (OR ATTACH A LISTING OF) ALL SUBSIDIARIES OR AFFILIATES, RETIREMENT AND PENSION PLANS AS REQUIRED BY ERISA (NO ADDITIONAL PREMIUMS FOR RETIREMENT AND PENSION PLANS), JOINT VENTURES, ETC.:

IF COVERAGE IS DESIRED, PLEASE CHECK APPROPRIATE BOX BELOW

ENTITY	COVERAGE
_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
_____	<input type="checkbox"/> YES <input type="checkbox"/> NO
_____	<input type="checkbox"/> YES <input type="checkbox"/> NO

3. NAMES OF ALL INDIVIDUALS AND/OR ENTITIES THAT OWN 10% OR MORE IN THE COMPANY:

	% OWNERSHIP
_____	_____
_____	_____
_____	_____

4. HAS THERE BEEN ANY CHANGE IN OWNERSHIP (10% OR MORE), OR A CHANGE IN THE COMPANY'S FINANCIAL STRUCTURE IN THE PAST 3 YEARS?  YES  NO  
IF "YES", PLEASE EXPLAIN: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

5. LIST THE CURRENT NUMBER OF EMPLOYEES BY THE FOLLOWING ACTIVITIES:

A. MORTGAGE BANKING EMPLOYEES:

BOARD OF DIRECTORS, CORPORATE OFFICERS	# _____
LOAN PRODUCTION	# _____
LOAN SERVICING	# _____
ALL OTHER PROFESSIONAL EMPLOYEES	# _____
<b>SUBTOTAL</b>	# _____

B. NON-MORTGAGE BANKING PROFESSIONAL EMPLOYEES:

REAL ESTATE APPRAISAL	# _____
REAL ESTATE SALES	# _____
INSURANCE PROFESSIONALS	# _____
PROPERTY MANAGEMENT	# _____
REAL ESTATE ASSET MANAGEMENT	# _____
REAL ESTATE CONSULTING	# _____
ALL OTHER PROFESSIONAL EMPLOYEES	# _____
<b>SUBTOTAL</b>	# _____

C. INDEPENDENT CONTRACTORS

LOAN ORIGINATORS	# _____
OTHER (SPECIFY) _____	# _____
<b>SUBTOTAL</b>	# _____

D. CLERICAL EMPLOYEES # \_\_\_\_\_

E. TELEMARKETERS # \_\_\_\_\_

**TOTAL EMPLOYEES** # \_\_\_\_\_

6. NUMBER OF LOCATIONS OTHER THAN MAIN OFFICE:

A. BRANCH OFFICES (THOSE THAT UNDERWRITE) # \_\_\_\_\_

B. SATELLITE OFFICES (THOSE THAT DO NOT UNDERWRITE) # \_\_\_\_\_

C. NET BRANCHES # \_\_\_\_\_  
IF ANY, PLEASE COMPLETE NET BRANCH SUPPLEMENT

7. DOES THE COMPANY NOW HAVE OR CONTEMPLATE HAVING SELLER/SERVICER STATUS WITHIN THE NEXT 12 MONTHS WITH:

FREDDIE MAC	<input type="checkbox"/> YES <input type="checkbox"/> NO
FANNIE MAE	<input type="checkbox"/> YES <input type="checkbox"/> NO
GINNIE MAE	<input type="checkbox"/> YES <input type="checkbox"/> NO
HUD (AS A DIRECT ENDORSEMENT LENDER)	<input type="checkbox"/> YES <input type="checkbox"/> NO

8. DOES YOUR FIRM SERVICE ANY LOANS OR HAVE ANY LOANS SUB-SERVICED BY ANOTHER ENTITY?  YES  NO  
IF "YES", PLEASE COMPLETE LOAN SERVICING SUPPLEMENT

9. HAVE THERE BEEN ANY CHANGES IN THE COMPANY'S OFFICERS AND/OR KEY PERSONNEL LAST 12 MONTHS?  YES  NO  
IF "YES", PLEASE ATTACH RESUME

10. HAVE THERE BEEN ANY CHANGES IN ANY OF THE COMPANY'S SUBSIDIARIES IN THE LAST 12 MONTHS (NEWLY CREATED OR PURCHASED, SOLD, OPERATIONAL CHANGES, ETC.)?  YES  NO  
IF "YES", PLEASE EXPLAIN: \_\_\_\_\_

11. HAVE YOU AGREED TO, OR DO YOU CONTEMPLATE WITHIN THE NEXT 12 MONTHS, ANY OF THE FOLLOWING, WHETHER OR NOT SUCH TRANSACTIONS WERE OR WILL BE COMPLETED? IF YES, PLEASE DESCRIBE THE ESSENTIAL TERMS OF EACH SUCH TRANSACTION AS AN ATTACHMENT TO THIS APPLICATION.

- A. MERGER, ACQUISITION OR CONSOLIDATION WITH ANOTHER ENTITY WHOSE CONSOLIDATED ASSETS EXCEED 20% OF THE COMPANY'S CONSOLIDATED ASSETS?  YES  NO
- B. SALE, DISTRIBUTION OR DIVESTITURE OF ANY ASSETS OR STOCK OTHER THAN IN THE ORDINARY COURSE OF BUSINESS IN AN AMOUNT EXCEEDING 20% OF THE COMPANY'S CONSOLIDATED ASSETS?  YES  NO
- C. ANY REGISTRATION FOR A PUBLIC OFFERING OR PRIVATE PLACEMENT OF SECURITIES?  YES  NO

# LOAN ORIGINATION ACTIVITY (12-20)

IF NO ORIGINATION ACTIVITY, CHECK HERE \_\_\_\_\_ & PROCEED TO QUESTION 20

**12. MORTGAGE ORIGINATION ACTIVITIES FOR THE 12 MONTHS ENDING:** \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

	NUMBER	VOLUME
1-4 FAMILY	# _____	\$ _____
SECOND MORTGAGES/HELOC	# _____	\$ _____
REVERSE MORTGAGES	# _____	\$ _____
MULTIFAMILY	# _____	\$ _____
OTHER COMMERCIAL	# _____	\$ _____
GRAND TOTAL	# _____	\$ _____

**BY DOLLAR VOLUME, WHAT PERCENTAGE OF ORIGINATED LOANS ARE:**

RETAIL	_____ %
WHOLESALE	_____ %
TOTAL (SHOULD EQUAL 100%)	_____ %
IF WHOLESALE LENDING IS CONDUCTED, PLEASE COMPLETE WHOLESALE LENDING SUPPLEMENT	
SOLD TO GSE'S	_____ %
SOLD TO OTHER INSTITUTIONAL INVESTORS	_____ %
SOLD TO INDIVIDUAL INVESTORS	_____ %
HELD IN APPLICANT'S PORTFOLIO	_____ %
SECURITIZED BY APPLICANT	_____ %
TOTAL (SHOULD EQUAL 100%)	_____ %

**13. WHAT PERCENTAGE OF 1-4 FAMILY LOANS ORIGINATED ARE:**

FANNIE/FREDDIE COMPLIANT (INCLUDE LOANS SOLD TO OTHER INVESTORS, IF COMPLIANT)	_____ %
JUMBO (OTHERWISE COMPLIANT)	_____ %
FHA/HUD	_____ %
OTHER ALT-A/A-	_____ %
SUBPRIME (FICO SCORE BELOW 620 AND ANY LOANS OF B-QUALITY OR LESS)	_____ %
FIXED RATE MORTGAGES	_____ %
ARMs%	_____ %
OPTION ARMs	_____ %
LOW DOC/NO DOC	_____ %
INTEREST-ONLY	_____ %
BALLOON	_____ %
NO INCOME - NO ASSET	_____ %
>100% LTV	_____ %
TOTAL (TOTAL MAY EXCEED 100%)	_____ %

**14. AVERAGE FICO SCORE ON SUBPRIME BUSINESS (FICO SCORE BELOW 620 AND ANY LOANS OF B-QUALITY OR LESS):** \_\_\_\_\_

**15. TOTAL LOANS ORIGINATED OR PURCHASED:**

**PAST 13-24 MONTHS**

# OF LOANS: \_\_\_\_\_ % SUBPRIME: \_\_\_\_\_ %  
\$ VOLUME: \_\_\_\_\_ % SUBPRIME: \_\_\_\_\_ %

**PAST 12 MONTHS**

# OF LOANS: \_\_\_\_\_ % SUBPRIME: \_\_\_\_\_ %  
\$ VOLUME: \_\_\_\_\_ % SUBPRIME: \_\_\_\_\_ %

**PROJECTED NEXT 12 MONTHS**

# OF LOANS: \_\_\_\_\_ % SUBPRIME: \_\_\_\_\_ %  
\$ VOLUME: \_\_\_\_\_ % SUBPRIME: \_\_\_\_\_ %

**16. HAVE YOU INTRODUCED ANY NEW LOAN PRODUCTS IN THE PAST 12 MONTHS?**

YES  NO

IF "YES", PLEASE DESCRIBE:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**17. DOES YOUR FIRM HAVE A WAREHOUSE LINE OF CREDIT?**

YES  NO

IF NO, DO YOU INTEND ON GETTING A WAREHOUSE LINE OF CREDIT IN THE NEXT SIX MONTHS?  YES  NO

WAREHOUSE LENDERS YOUR FIRM USES OR HAS APPLIED TO:

_____	_____	_____
FIRM	CONTACT	PHONE
_____	_____	_____
FIRM	CONTACT	PHONE
_____	_____	_____
FIRM	CONTACT	PHONE

**18. PERCENT OF ALL YOUR FIRM'S LOANS, WHICH ARE UNDERWRITTEN BY YOUR FIRM:** \_\_\_\_\_ %

PERCENT OF ALL YOUR FIRM'S CLOSED LOANS, WHICH ARE CLOSED IN THE NAME OF YOUR FIRM: \_\_\_\_\_ %

**19. DOES THE COMPANY MAKE CONSTRUCTION LOANS?**

YES  NO

IF "YES", PLEASE COMPLETE SUPPLEMENT D - CONSTRUCTION LENDING

20. A. TOTAL REVENUES LAST YEAR: \$ \_\_\_\_\_  
 B. TOTAL PROJECTED 201\_\_ REVENUES: \$ \_\_\_\_\_

INDICATE WHICH PROFESSIONAL SERVICE ACTIVITIES THE APPLICANT IS INTERESTED IN COVERING UNDER THIS POLICY AS LISTED BELOW:

<u>Professional Services</u>	<u>From 20A Above Percentage of Last Year's Total Revenues</u>	<u>From 20B Above Percentage of Projected Revenues</u>
* MORTGAGE ORIGINATION	_____ %	_____ %
MORTGAGE SERVICING	_____ %	_____ %
REAL ESTATE APPRAISAL	_____ %	_____ %
REAL ESTATE SALES	_____ %	_____ %
REAL ESTATE PROPERTY MGMT.	_____ %	_____ %
REAL ESTATE ASSET MGMT.	_____ %	_____ %
SERVICING SOFTWARE DESIGN	_____ %	_____ %
INSURANCE AGENCY	_____ %	_____ %
** REAL ESTATE CONSULTING	_____ %	_____ %
OTHER: _____	_____ %	_____ %

\*SHOULD ONLY INCLUDE LOAN ORIGINATION FEES, AND NOT, FOR EXAMPLE, SERVICING RIGHTS RELEASED OR WAREHOUSE LINE OF CREDIT INTEREST REVENUES.

\*\*LIST CONSULTING ACTIVITIES: \_\_\_\_\_  
 \_\_\_\_\_

## TITLE (21-27)

21. DO YOU OWN A TITLE COMPANY OR AGENCY OR ARE YOU AFFILIATED WITH A TITLE AND/OR ESCROW COMPANY?  YES  NO  
 IF YES, PLEASE COMPLETE TITLE COMPANY QUESTIONNAIRE
22. DO YOU REQUIRE TITLE INSURANCE ON ALL LOANS FUNDED  
 FOR 1<sup>ST</sup> MORTGAGES/DEEDS OF TRUST  YES  NO  
 FOR 2<sup>ND</sup> MORTGAGES/DEEDS OF TRUST  YES  NO
23. PRIOR TO CLOSING, DO YOU OBTAIN A CLOSING PROTECTION LETTER FROM A CREDIT-WORTHY TITLE INSURER ON EVERY LOAN YOU FUND?  YES  NO
24. DO YOUR CLOSING AGENT AGREEMENTS INCLUDE LANGUAGE REQUIRING THAT THE CLOSING AGENT INFORM YOU OF RECENT ESCROWS, CLOSINGS, OR CHANGE OF TITLE?  YES  NO
25. DO YOU REQUIRE A 12-MONTH OR MORE CHAIN OF TITLE?  YES  NO
26. DO YOU REQUIRE CLOSING AGENTS/ATTORNEYS TO HAVE E&O INSURANCE?  YES  NO
27. DO YOU REQUIRE CLOSING AGENTS/ATTORNEYS TO HAVE FIDELITY INSURANCE?  YES  NO

## APPRAISAL (28-34)

28. DO YOU REQUIRE ALL APPRAISERS TO BE STATE LICENSED?  YES  NO
29. DO YOU REQUIRE THE APPRAISER TO ATTACH A COPY OF HIS LICENSE TO EACH APPRAISAL?  YES  NO
30. DO YOU HAVE CALL BACK PROCEDURES IN PLACE TO VERIFY THAT RECEIVED APPRAISALS WERE ACTUALLY PERFORMED BY THE APPRAISAL COMPANY SHOWN ON THE APPRAISAL?  YES  NO
31. DO ANY OF YOUR EMPLOYEES OR EMPLOYEES OF RELATED OR OWNED ENTITIES PERFORM PROPERTY APPRAISALS ON WHICH LENDING DECISIONS ARE BASED?  YES  NO
32. DO YOU HAVE AN APPRAISER ON YOUR STAFF THAT REVIEWS SUBMITTED APPRAISALS FOR ACCURACY?  YES  NO
33. DO YOU VERIFY THAT ENTITIES PERFORMING APPRAISALS FOR YOU HAVE E&O INSURANCE?  YES  NO
34. DO YOU VERIFY THAT ENTITIES PERFORMING APPRAISALS FOR YOU HAVE FIDELITY BOND INSURANCE?  YES  NO

## MISCELLANEOUS (35-37)

35. DO YOU HAVE AN AUDIT PERFORMED BY AN OUTSIDE CPA FIRM?  YES  NO
36. IN THE PAST 12 MONTHS, HAS THE COMPANY CHANGED ANY INTERNAL CONTROLS, INTERNAL AUDITORS, OR OUTSIDE CPA?  YES  NO
37. ARE BORROWER AND INVESTOR ESCROWS MAINTAINED IN SEGREGATED CUSTODIAL ACCOUNTS?  YES  NO
- A. DO THE COMPANY'S POLICIES PROHIBIT THE TRANSFER OF SUCH ESCROW FUNDS:
- TO OR FROM OTHER ESCROW ACCOUNTS OR OTHER CUSTODIAL ACCOUNTS?  YES  NO
- TO OR FROM OPERATING ACCCOUNTS?  YES  NO

## CASH & ACCOUNTING (38-39)

38. IS A SEPARATE LEDGER ACCOUNT MAINTAINED FOR EACH OF THE COMPANY'S BANK ACCOUNTS?  YES  NO
39. A. ARE DUTIES SEGREGATED SO THAT NO SINGLE INDIVIDUAL HAS BOTH CUSTODIAL FUNCTIONS AND ACCOUNTING AUTHORITY (I.E., CASH RECEIPTS AND DISBURSEMENTS) OVER THE COMPANY'S FUNDS AND SECURITIES?  YES  NO
- B. ARE TRANSFERS FROM ONE BANK ACCOUNT TO ANOTHER UNDER ACCOUNTING CONTROL (I.E., CHARGES AND CREDITS RECORDED AND PASSED THROUGH A LEDGER ACCOUNT)?  YES  NO
- C. ARE DEPOSIT SLIPS COMPARED WITH CASH RECEIPT RECORDS BY SOMEONE OTHER THAN THE CASHIER?  YES  NO
- D. ARE ALL CASH BALANCES, BANK BALANCES, OR SIMILAR BALANCES RECONCILED MONTHLY?  YES  NO
- E. ARE RECONCILIATIONS PREPARED AND SUPERVISED BY AN INDIVIDUAL WITH NO RESPONSIBILITY FOR CASH RECEIPTS OR DISBURSEMENTS BY MEANS OF CHECKS OR WIRE TRANSFER?  YES  NO
- F. DOES AN OFFICER, WHO IS NOT RESPONSIBLE FOR THE RECEIPT OR DISBURSEMENT OF CASH, REVIEW ALL RECONCILIATIONS AND QUESTION UNUSUAL UNRECONCILED ITEMS?  YES  NO
- G. IF "NO" APPLIES TO ANY OF THE ABOVE QUESTIONS, PLEASE EXPLAIN HOW THE COMPANY HANDLES SUCH FUNCTION(S):  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
- H. DESCRIBE CONTROLS ON INCOMING AND OUTGOING WIRE TRANSFERS OF MONEY:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

## GENERAL QUALITY CONTROL (40-48)

40. DO YOU USE REGULATORY COMPLIANCE SOFTWARE?  YES  NO  
 IF YES, WHAT SYSTEM DO YOU USE? \_\_\_\_\_
41. HOW DOES THE COMPANY KEEP ABREAST OF APPLICABLE FEDERAL AND STATE REGULATIONS?  
 \_\_\_\_\_  
 \_\_\_\_\_

42. DO YOU UTILIZE A FRAUD DETECTION SERVICE?  YES  NO  
 IF YES, WHAT PERCENTAGE OF LOANS ARE TESTED? \_\_\_\_\_  
 WHAT FIRM(S) ARE YOU USING FOR FRAUD DETECTION?  
 \_\_\_\_\_  
 \_\_\_\_\_
43. DO YOU HAVE CALL BACK PROCEDURES IN PLACE TO VERIFY VOE AND VOD INFORMATION PRIOR TO LOAN CLOSING?  YES  NO
44. PLEASE DESCRIBE THE STEPS TAKEN TO VERIFY BORROWERS IDENTITIES.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
45. DO YOU RUN BACKGROUND CHECKS ON ALL LOAN OFFICERS THAT ORIGINATE LOANS FOR THE COMPANY:  
 A. ON A RETAIL BASIS?  YES  NO  
 B. ON A WHOLESALE BASIS?  YES  NO
46. IN THE PAST 12 MONTHS, HOW MANY LOANS HAVE YOU BEEN REQUIRED TO REPURCHASE FROM OR INDEMNIFY A SECONDARY MARKET INVESTOR?  
 # \_\_\_\_\_
47. TO PURCHASE LOANS, DOES THE TAKE-OUT INVESTOR WIRE FUNDS TO:  
 A. THE WAREHOUSE FACILITY?  YES  NO  
 B. YOUR COMPANY?  YES  NO
48. DO LOAN UNDERWRITERS HAVE PRODUCTION GOALS BASED ON NUMBER OF LOANS CLOSED?  YES  NO

## CURRENT COVERAGE (49)

49. CURRENT PROFESSIONAL SERVICES LIABILITY INSURANCE:  
 INSURANCE COMPANY NAME: \_\_\_\_\_  
 LIMIT: \$ \_\_\_\_\_  
 DEDUCTIBLE: \$ \_\_\_\_\_  
 PREMIUM: \$ \_\_\_\_\_  
 EXPIRATION DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_  
 RETROACTIVE DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

- CURRENT FIDELITY BOND INSURANCE:  
 INSURANCE COMPANY NAME: \_\_\_\_\_  
 LIMIT: \$ \_\_\_\_\_  
 DEDUCTIBLE: \$ \_\_\_\_\_  
 PREMIUM: \$ \_\_\_\_\_  
 EXPIRATION DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

- CURRENT DIRECTORS' & OFFICERS' LIABILITY INSURANCE:  
 INSURANCE COMPANY NAME: \_\_\_\_\_  
 LIMIT: \$ \_\_\_\_\_  
 RETENTION: \$ \_\_\_\_\_  
 PREMIUM: \$ \_\_\_\_\_  
 EXPIRATION DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_  
 RETROACTIVE DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

## CLAIMS (50 -58)

50. WAS PRIOR COVERAGE EVER CANCELLED OR NON-RENEWED? (OTHER THAN BEING NON-RENEWED DUE TO THE CARRIER NO LONGER WRITING THIS TYPE OF COVERAGE) (OTHER THAN MISSOURI APPLICANTS)  YES  NO

IF "YES", PLEASE EXPLAIN REASON FOR NON-RENEWAL OR CANCELLATION ON SEPARATE PAGE

51. DOES THE APPLICANT KNOW OF ANY OR HAVE ANY REPORTED VIOLATIONS OF LAWS IN ANY OF THE FOLLOWING:

- A. REAL ESTATE SETTLEMENT PROCEDURES ACT  YES  NO  
 B. TRUTH IN LENDING LEGISLATION  YES  NO  
 C. EQUAL CREDIT OPPORTUNITY LEGISLATION  YES  NO  
 (IF "YES", PLEASE EXPLAIN ON A SEPARATE PAGE.)  
 D. HOME OWNERSHIP AND EQUITY PROTECTION ACT  YES  NO

DOES THE APPLICANT HAVE WRITTEN POLICIES WITH RESPECT TO THE ABOVE?  YES  NO

52. IN THE PAST 5 YEARS, HAS YOUR FIRM DISCOVERED OR INCURRED A LOSS OR POTENTIAL LOSS IN EXCESS OF \$5,000 IN ANY OF THE FOLLOWING AREAS?

- EMPLOYEE DISHONESTY/FIDELITY  YES  NO  
 FORGED DOCUMENTS/CHECKS  YES  NO  
 BURGLARY, ROBBERY OR THEFT  YES  NO  
 OBTAINING/MAINTAINING MORTGAGOR'S INSURANCE  YES  NO  
 REAL ESTATE TAX PAYMENTS  YES  NO  
 OTHER  YES  NO

IF YES, PLEASE EXPLAIN ON A SEPARATE PAGE.

53. HAS THE APPLICANT AT ANY TIME OVER THE LAST FIVE YEARS, BEEN INVOLVED IN ANY POLICY DISPUTE WITH ANY OF YOUR INSURERS (ON ANY CLASS OF BUSINESS)?  YES  NO

(IF "YES", PLEASE PROVIDE DETAILS ON A SEPARATE PAGE.)

54. HAVE ANY SUITS, DEMANDS FOR ARBITRATION OR ADMINISTRATIVE OR REGULATORY ACTIONS BEEN FILED AGAINST THE APPLICANT COMPANY(IES) OR THEIR PREDECESSORS, OR ANY OF ITS PRESENT OR PAST DIRECTORS, OFFICERS, OR EMPLOYEES?  YES  NO

(IF "YES", PLEASE ATTACH CLAIMS HISTORY SHOWING NUMBER OF CLAIMS AND AMOUNT INCLUDING DEFENSE COSTS)

55. HAS THE COMPANY ANY KNOWLEDGE OR INFORMATION, AFTER FULL INQUIRY, OF ANY FACTS, CIRCUMSTANCES, OR EVENTS WHICH COULD GIVE RISE TO A LOSS (OR CLAIM BEING MADE AGAINST THEM)?  YES  NO

IF "YES", PLEASE PROVIDE FULL DETAILS ON A SEPARATE PAGE

56. HAS ANY PRINCIPAL, DIRECTOR, OFFICER OR EMPLOYEE HAD A PROFESSIONAL LICENSE SUSPENDED OR REVOKED?  YES  NO

IF "YES", PLEASE PROVIDE FULL DETAILS ON A SEPARATE PAGE

57. IT IS AGREED WITH RESPECT TO QUESTIONS #50, #51, #52, #53, #54, #55, AND #56, THAT IF SUCH KNOWLEDGE OR INFORMATION EXISTS, ANY CLAIM OR ACTION ARISING THEREFROM IS EXCLUDED FROM THIS PROPOSED COVERAGE.

58. DURING THE PAST FIVE YEARS, HAS THE APPLICANT OR ANY PREDECESSOR IN BUSINESS OR ANY OF THE PAST OR PRESENT PARTNER, OFFICERS, DIRECTORS OR EMPLOYEES BEEN THE SUBJECT OF AN INVESTIGATION, REPRIMAND, DISCIPLINARY ACTION, CRITICISM, OR FILED COMPLAINT BY THE FHA, VA, PMI CARRIER, ANY INVESTOR, AUTHORITY, OR GOVERNMENTAL AGENCY?  YES  NO

IF "YES", PLEASE PROVIDE FULL DETAILS ON A SEPARATE PAGE

NO FACT, CIRCUMSTANCE OR SITUATION INDICATING THE PROBABILITY OF A CLAIM OR ACTION AGAINST WHICH INDEMNIFICATION WOULD BE AFFORDED BY THE PROPOSED INSURANCE IS NOW KNOWN BY ANY COMPANY OR ANY OF ITS PRESENT OR PAST DIRECTORS, OFFICERS OR ANY EMPLOYEES UNDER THIS PROPOSED INSURANCE OTHER THAN THAT WHICH IS DISCLOSED IN THIS APPLICATION.

IT IS AGREED BY ALL CONCERNED THAT IF THERE BE KNOWLEDGE OF ANY SUCH FACT, CIRCUMSTANCE, OR SITUATION, ANY CLAIM OR ACTION SUBSEQUENTLY EMANATING THEREFROM SHALL BE EXCLUDED FROM COVERAGE UNDER THIS PROPOSED INSURANCE.

THE UNDERSIGNED AUTHORIZED OFFICER OF THE APPLICANT WARRANTS AFTER INQUIRY THAT TO THE BEST OF HIS KNOWLEDGE THE STATEMENTS SET FORTH IN THIS APPLICATION, AND THE MATERIALS SUBMITTED THEREWITH ARE TRUE, AND IT IS AGREED THAT THE APPLICATION FORM AND ALL MATERIALS SUBMITTED WITH THE APPLICATION FORM SHALL BE THE BASIS OF THE CONTRACT SHOULD A POLICY BE ISSUED AND THE APPLICATION FORM INCLUDING ALL ATTACHMENTS WILL BE ATTACHED TO AND MADE PART OF THE POLICY.

SIGNING OF THIS APPLICATION FORM DOES NOT BIND THE APPLICANT NOR THE INSURER TO COMPLETE THE INSURANCE.

IT IS AGREED THAT IN THE EVENT THERE IS ANY MATERIAL CHANGE IN THE ANSWERS TO THE QUESTIONS HEREIN PRIOR TO THE EFFECTIVE DATE OF THE POLICY, THE APPLICANT WILL NOTIFY THE UNDERWRITERS AND ANY OUTSTANDING QUOTATION MAY BE MODIFIED OR WITHDRAWN. IN ADDITION, NO INFORMATION PROVIDED BY THIS APPLICATION OR ALONG WITH THIS APPLICATION SHALL BE DEEMED TO REPORT A CLAIM. SUCH NOTICE SHOULD BE MADE AS INSTRUCTED BY THE POLICY.

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
TITLE  
(MUST BE SIGNED BY CHAIRMAN OF THE BOARD OR PRESIDENT)

\_\_\_\_\_  
APPLICANT COMPANY NAME

\_\_\_\_\_  
MONTH, DAY, & YEAR SIGNED

# NET BRANCH SUPPLEMENT

1. WHICH OF THE FOLLOWING BEST DESCRIBES YOUR COMPANY?

NET BRANCH       PARENT COMPANY WITH NET BRANCHES

2. IF YOU ARE A PARENT COMPANY WITH NET BRANCHES, HOW MANY NET BRANCHES DO YOU HAVE? # \_\_\_\_\_

WHAT IS THE PERCENT OWNERSHIP INTEREST IN THE NET BRANCHES? \_\_\_\_\_%

3. DO ANY OF YOUR NET BRANCHES OPERATE UNDER A SEPARATE NAME OR A D/B/A (DOING A BUSINESS AS) NAME?  YES  NO  
IF SO, PLEASE LIST THE NAMES

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4. ARE ALL NET BRANCH EMPLOYEES AND BRANCH MANAGERS CONSIDERED TO BE EMPLOYEES OF THE PARENT AND PAID ON A W2 BASIS?  YES  NO  
IF NOT, PLEASE DESCRIBE HOW EMPLOYEES ARE COMPENSATED

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5. ARE NET BRANCHES ABLE TO ORIGINATE FHA LOANS UNDER THE PARENT'S APPROVAL?  YES  NO

ARE THESE FHA LOANS ISSUED IN THE NAME OF THE PARENT COMPANY?  YES  NO

6. DO THE NET BRANCHES HAVE:

A) ACCESS TO THE LOAN PROGRAMS FUNDED THROUGH THE PARENT?  YES  NO

B) THE ABILITY TO BROKER LOANS TO OUTSIDE WHOLESALE LENDERS?  YES  NO

7. DOES THE NET BRANCH HAVE UNDERWRITING AUTHORITY?  YES  NO

8. DOES THE PARENT COMPANY HANDLE ACCOUNTING AND PAYROLL SERVICES?  YES  NO

9. CAN NET BRANCHES ORIGINATE LOANS ACROSS STATE LINES UNDER THE PARENT COMPANY LICENSES?  YES  NO

10. ARE ALL NET BRANCHES NOW EITHER COVERED OR INTENDED TO BE COVERED UNDER THE PARENT COMPANY FIDELITY AND/OR E&O INSURANCE POLICIES?  YES  NO  
IF YOU ANSWERED "NO", PLEASE EXPLAIN:

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# LOAN SERVICING SUPPLEMENT

IF THE COMPANY SERVICES LOANS DIRECTLY, HAS OTHERS SERVICE FOR THEM OR IS A SERVICER, SUB-SERVICER OR MASTER SERVICER FOR OTHERS, COMPLETE THE FOLLOWING QUESTIONS:

1. SUB-SERVICING ACTIVITIES (NOTE: ESTIMATE %):
- A. PERCENTAGE OF LOANS IN PORTFOLIO WHERE COMPANY ACTS AS SUB-SERVICER: \_\_\_\_\_%
  - B. PERCENTAGE OF LOANS IN SERVICING PORTFOLIO THAT ARE SUB-SERVICED BY OTHERS: \_\_\_\_\_%
  - C. DOES THE COMPANY ACT AS MASTER SERVICER FOR ANY LOANS INCLUDING GNMA OR OTHER TYPES OF MORTGAGE-BACKED SECURITIES?  YES  NO  
IF "YES" APPROXIMATELY WHAT PERCENTAGE OF THE COMPANY PORTFOLIO DOES THIS ACTIVITY REPRESENT? \_\_\_\_\_%

2. SERVICING PORTFOLIO AS OF \_\_\_\_/\_\_\_\_/\_\_\_\_:
- # \_\_\_\_\_
- \$ \_\_\_\_\_
- PERCENTAGE INCOME PROPERTY SERVICING: \_\_\_\_\_%
- DELINQUENCY SERVICING RATIOS:
- 30 - 59 DAYS \_\_\_\_\_%
  - 60- 89 DAYS \_\_\_\_\_%
  - OVER 90 DAYS \_\_\_\_\_%
  - REO \_\_\_\_\_%

3. ESTIMATED % OF CONDOMINIUM/PUD LOANS SERVICING ACTIVITY: \_\_\_\_\_%

4. DOES THE APPLICANT OWN, ORIGINATE, OR SERVICE ANY LOANS ON WHICH EARTHQUAKE INSURANCE IS REQUIRED?  YES  NO

5. HAVE THERE BEEN ANY MATERIAL CHANGES IN THE COMPANY'S INSURANCE VERIFICATION, MAINTENANCE, OR FORCED PLACEMENT PROGRAM OPERATIONS IN THE PAST 3 YEARS?  YES  NO

IF "YES" PLEASE EXPLAIN: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. NUMBER OF LOANS FORECLOSED IN THE PAST 12 MONTHS: \_\_\_\_\_

# WHOLESALE LENDING SUPPLEMENT

1. **DO YOU VERIFY MORTGAGE BROKERS' LICENSING?**  YES  NO

2. **WHAT IS YOUR MINIMUM LEVEL OF EXPERIENCE FOR A BROKER?**  
\_\_\_\_\_

3. **DO YOU PERFORM THE FOLLOWING DUE DILIGENCE ON THE MORTGAGE BROKERS ORIGINATING LOANS FOR YOU:**

A. **NET WORTH**  YES  NO  
IF YES, WHAT IS YOUR MINIMUM NET WORTH REQUIREMENT:  
\$ \_\_\_\_\_

B. **BACKGROUND CHECKS**  YES  NO

C. **BROKERS' PROCEDURES AND CONTROLS MANUALS**  YES  NO

IF YOU ANSWERED "NO" TO ANY OF THE ABOVE OPTIONS, WHAT TYPE(S) OF DUE DILIGENCE DO YOU PERFORM ON BROKERS WITH WHOM YOU DO BUSINESS?  
\_\_\_\_\_  
\_\_\_\_\_

4. **DO YOU MAKE AN ONSITE VISIT TO THE BROKERS OFFICE?**  YES  NO

IF SO, WHO IN YOUR OFFICE IS RESPONSIBLE FOR THIS VISIT AND WHAT IS REVIEWED?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. **DO YOU CHECK TO DETERMINE IF BROKERS HAVE OWNED OR AFFILIATED BUSINESSES, SUCH AS APPRAISAL, REAL ESTATE, TITLE, OR ESCROW COMPANIES?**  YES  NO

6. **DO YOU HAVE SPECIFIC PROCEDURES YOUR BROKERS MUST FOLLOW WHEN SUBMITTING A LOAN PACKAGE TO YOUR COMPANY?**  YES  NO

7. **WITH HOW MANY BROKERS DO YOU CURRENTLY DO BUSINESS?**  
# \_\_\_\_\_

8. **HOW MANY BROKER RELATIONSHIPS HAVE YOU TERMINATED IN THE PAST YEAR?**  
# \_\_\_\_\_

9. **DO YOU TRACK INCIDENT OF EARLY PAYMENT DEFAULT BY SOURCE OF ORIGINATING AGENT OR WHOLESALE BROKERS?**  YES  NO

10. **DO YOU PERFORM RANDOM OR TARGETED QUALITY CONTROL AUDITS ON WHOLESALE BROKER LOAN FILES?**  YES  NO

11. **DO YOU REQUIRE BROKERS TO CARRY FIDELITY BOND INSURANCE?**  YES  NO

12. **DO YOU REQUIRE BROKERS TO CARRY E&O INSURANCE?**  YES  NO

# CONSTRUCTION LENDING SUPPLEMENT

IF THE COMPANY IS NOT INVOLVED IN CONSTRUCTION LENDING, DO NOT COMPLETE THIS SUPPLEMENT.

## GENERAL CONSTRUCTION LENDING INFORMATION (1-5)

1. PERCENTAGE OF TOTAL LOAN ORIGATION DOLLAR VOLUME REPRESENTED BY CONSTRUCTION LENDING? \_\_\_\_\_%

2. BREAKDOWN OF CONSTRUCTION LOAN ACTIVITY:

**PREVIOUS YEAR**

1-4 FAMILY # \_\_\_\_\_ \$ \_\_\_\_\_  
 MULTI-FAMILY # \_\_\_\_\_ \$ \_\_\_\_\_  
 COMMERCIAL PROPERTY # \_\_\_\_\_ \$ \_\_\_\_\_

**THIS YEAR**

1-4 FAMILY # \_\_\_\_\_ \$ \_\_\_\_\_  
 MULTI-FAMILY # \_\_\_\_\_ \$ \_\_\_\_\_  
 COMMERCIAL PROPERTY # \_\_\_\_\_ \$ \_\_\_\_\_

**NEXT YEAR (ESTIMATE)**

1-4 FAMILY # \_\_\_\_\_ \$ \_\_\_\_\_  
 MULTI-FAMILY # \_\_\_\_\_ \$ \_\_\_\_\_  
 COMMERCIAL PROPERTY # \_\_\_\_\_ \$ \_\_\_\_\_

3. LIST BELOW EMPLOYEE NAMES, NUMBER OF YEARS CONSTRUCTION LENDING EXPERIENCE, WHETHER THEY ARE HOME OR BRANCH OFFICE PERSONNEL, AND THE TYPE OF CONSTRUCTION LOANS HANDLED. IF THE COMPANY IS A NEW APPLICANT, SEEKING NEW COVERAGE FOR CONSTRUCTION LENDING ACTIVITIES OR IF, ON RENEWAL, THERE ARE NEW EMPLOYEES SINCE THE PREVIOUS APPLICATION, FORWARD A RESUME FOR EACH PERSON AUTHORIZED TO APPROVE, DISAPPROVE, OR MODIFY CONSTRUCTION LOANS FOR THE COMPANY.

NAME \_\_\_\_\_ # \_\_\_\_\_  HOME  BRANCH  
 COMMERCIAL PROPERTY  MULTI-FAMILY  
 1-4 FAMILY  RESUME ENCLOSED

NAME \_\_\_\_\_ # \_\_\_\_\_  HOME  BRANCH  
 COMMERCIAL PROPERTY  MULTI-FAMILY  
 1-4 FAMILY  RESUME ENCLOSED

NAME \_\_\_\_\_ # \_\_\_\_\_  HOME  BRANCH  
 COMMERCIAL PROPERTY  MULTI-FAMILY  
 1-4 FAMILY  RESUME ENCLOSED

NAME \_\_\_\_\_ # \_\_\_\_\_  HOME  BRANCH  
 COMMERCIAL PROPERTY  MULTI-FAMILY  
 1-4 FAMILY  RESUME ENCLOSED

NAME \_\_\_\_\_ # \_\_\_\_\_  HOME  BRANCH  
 COMMERCIAL PROPERTY  MULTI-FAMILY  
 1-4 FAMILY  RESUME ENCLOSED

4. IN VIEW OF THE SIZE OF THE COMPANY'S WAREHOUSE LINE, CONSTRAINTS OF THE COMPANY'S NET WORTH, AND DEMANDS OF PEAK SEASON LENDING ALONG WITH THE EXISTING DEMANDS OF REGULAR BUSINESS ACTIVITIES, WHAT IS THE MAXIMUM SIZE OF A SINGLE CONSTRUCTION LOAN THAT THE COMPANY IS WILLING TO FACILITATE?

COMMERCIALPROPERTY/MULTI-FAMILY \$ \_\_\_\_\_  
 1-4 FAMILY \$ \_\_\_\_\_

5. BUILDER'S RISK INSURANCE COVERAGE:

DOES THE COMPANY REQUIRE BUILDER'S RISK INSURANCE TO BE WRITTEN ON "ALL RISK" BASIS?  YES  NO

DOES THE COMPANY VERIFY BUILDER'S RISK COVERAGE BY RECEIVING THE ORIGINAL POLICY PRIOR TO THE INCEPTION OF CONSTRUCTION ACTIVITIES?  YES  NO  
 IF EITHER ANSWER IS "NO", PLEASE EXPLAIN

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

WHEN A PROJECT IS COMPLETED, OR WHEN OCCUPIED, BUILDER'S RISK INSURANCE USUALLY TERMINATES AUTOMATICALLY. PLEASE DESCRIBE THE COMPANY'S PROCEDURE TO CONVERT BUILDER'S RISK INSURANCE TO A STANDARD PROPERTY INSURANCE POLICY WHEN CONSTRUCTION IS COMPLETE OR OCCUPIED:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

## COMMERCIAL PROPERTY AND MULTI-FAMILY CONSTRUCTION LENDING ACTIVITIES (6-16)

6. IS THE COMPANY INVOLVED WITH COMMERCIAL PROPERTY/ MULTI-FAMILY CONSTRUCTION LENDING ACTIVITIES?  YES  NO

IF "NO" APPLIES, PLEASE PROCEED TO QUESTION 17

7. DESCRIBE THE PROCEDURE FOR THE APPROVAL OF COMMERCIAL PROPERTY/MULTI-FAMILY CONSTRUCTION LOANS AND INDICATE HOW ALL RESPONSIBLE PERSONNEL NOTED IN QUESTION 3 PARTICIPATE IN THE APPROVAL PROCESS:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

8. DOES THE COMPANY ALWAYS OBTAIN A TAKE-OUT COMMITMENT FROM AN INSTITUTIONAL LENDER PRIOR TO ISSUING A COMMITMENT TO FUND CONSTRUCTION LOANS?

YES  NO

IF "NO" APPLIES, HOW IS THE COMPANY PROTECTED AGAINST THE FINANCIAL FAILURE OF A CONSTRUCTION PROJECT?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. WHERE DOES THE COMPANY OBTAIN FUNDS FROM WHICH TO MAKE CONSTRUCTION LOANS?

COMPANY FUNDS  YES  NO

PERMANENT INVESTORS' FUNDS  YES  NO

WAREHOUSE LINE OF CREDIT  YES  NO

OTHER(SPECIFY) \_\_\_\_\_

DO THESE SOURCES REVIEW PAYOUT DOCUMENTS BEFORE RELEASING FUNDS TO THE COMPANY FOR DISBURSEMENTS?

YES  NO

10. DOES THE COMPANY TAKE EQUITY PARTICIPATION IN ANY CONSTRUCTION LOANS?

YES  NO

IF "YES" APPLIES, EXPLAIN THE EXTENT AND FORM OF SUCH PARTICIPATION ARRANGEMENTS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. WHAT TYPE OF GUARANTEES ARE REQUIRED ON A CONSTRUCTION LOAN?

A. FULL PERSONAL GUARANTEE OF DEVELOPER  YES  NO

B. GUARANTEE OF DEVELOPER AND SPOUSE  YES  NO

C. GUARANTEE OF COMPLETION BOND  YES  NO

D. PERFORMANCE BOND  YES  NO

E. OTHER (SPECIFY) \_\_\_\_\_

12. PROCEDURES FOR DISBURSEMENT OF CONSTRUCTION LOAN FUNDS:

A. DOES THE COMPANY AUTHORIZE AND PAYOUT LAND COSTS AND/OR FEES TO THE DEVELOPER FOR ITS OUTSIDE SERVICES PRIOR TO COMMENCING DISBURSEMENT OF ACTUAL PHYSICAL PROGRESS PAYMENTS?  YES  NO

B. IS EACH PAYOUT GUARANTEED BY A TITLE INSURER AFTER DISBURSEMENT SO THAT SUCH PAYOUTS ARE PROTECTED FROM MECHANICS' LIENS?  YES  NO

C. DOES THE PERSON APPROVING THE PERIODIC PAYOUTS ALSO APPROVE, WITHOUT ANY ADDITIONAL PHYSICAL INSPECTION BY ANYONE ELSE, THE DISBURSEMENT OF THE FINAL HOLDBACK TO THE CONTRACTOR(S)?  YES  NO

D. WHAT PERCENTAGE OF THE CONSTRUCTION LOAN FUNDS AND RESERVES FOR TAXES, INSURANCE AND SUBCONTRACTORS' RETAINAGE ARE WITHHELD UNTIL FINAL COMPLETION? \_\_\_\_\_%

13. ARE ALL THE COMPANY'S COMMERCIAL PROPERTY/MULTI-FAMILY CONSTRUCTION LOANS INITIATED, NEGOTIATED AND APPROVED BY THE HOME OFFICE?  YES  NO

IF "NO" APPLIES, PLEASE EXPLAIN:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

TOTAL NUMBER OF BRANCHES "DISBURSING" COMMERCIAL PROPERTY/MULTI-FAMILY CONSTRUCTION LOANS # \_\_\_\_\_

TOTAL NUMBER OF BRANCHES "NOT DISBURSING" COMMERCIAL PROPERTY/MULTI-FAMILY CONSTRUCTION LOANS # \_\_\_\_\_

IF COMMERCIAL PROPERTY/MULTI-FAMILY CONSTRUCTION LOAN PAYOUTS ARE DISBURSED BY BRANCH OFFICES, PLEASE PROVIDE DETAILED INFORMATION REGARDING: 1) DISBURSEMENT APPROVAL PROCESS; 2) MANNER OF DISBURSEMENT; 3) PROCEDURAL AND ACCOUNTING CONTROLS; 4) EXPERIENCE OF BRANCH PERSONNEL HANDLING CONSTRUCTION LOAN DISBURSEMENTS.

## 1-4 FAMILY CONSTRUCTION LENDING ACTIVITIES (17-25)

14. ARE PROGRESS PAYMENTS AUTHORIZED ONLY AFTER PHYSICAL INSPECTION?  YES  NO

DESCRIBE THE EXTENT OF PHYSICAL INSPECTION: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

HOW OFTEN? \_\_\_\_\_

AT WHAT STAGES OF CONSTRUCTION?  
 \_\_\_\_\_

BY WHOM (POSITION)? \_\_\_\_\_

IS THIS PERSON THE SAME AS THE OFFICER OR EMPLOYEE WHO SERVED IN SOLICITING OR APPROVING THE LOANS?

YES  NO

15. WITH RESPECT TO DETERMINING WHETHER CONSTRUCTION LOAN PROCEEDS ARE SUFFICIENT TO COMPLETE THE PROJECT, ARE SEPARATE RESERVES SET ASIDE (BEFORE COMMENCING DISBURSEMENT OF LOAN PROCESS) FOR THE FOLLOWING ITEMS?

A. INTEREST DURING ESTIMATED CONSTRUCTION PERIOD  YES  NO

B. TITLE CHARGES  YES  NO

C. INSURANCE PREMIUMS  YES  NO

D. R.E TAXES DURING ESTIMATED CONSTRUCTION PERIOD  YES  NO

E. RESERVES FOR EXTRAS AND CONTINGENCIES OVER AND ABOVE THE AMOUNTS RETAINED FROM SUB-CONTRACTOR  YES  NO

F. DESCRIBE THE CONTROLS THE COMPANY USES TO DETERMINE THAT THE UNDISBURSED PORTION OF THE LOAN IS SUFFICIENT TO PERMIT COMPLETION: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

16. DOES THE COMPANY OBTAIN AND REVIEW:

A. A COMPLETE SCHEDULE OF THE CONTRACTOR'S SUB-CONTRACTS ON A GIVEN JOB INCLUDING THE AMOUNT THEREOF?  YES  NO

B. SIGNED COPIES OF THE GENERAL CONTRACT AND OF MAJOR SUB-CONTRACTS?  YES  NO

17. IS THE COMPANY INVOLVED WITH 1-4 FAMILY CONSTRUCTION LENDING ACTIVITIES?  YES  NO  
 IF "NO", THIS SECTION DOES NOT APPLY TO YOUR COMPANY.

18. APPROXIMATE PERCENTAGE OF THE CONSTRUCTION LOANS WHICH ARE SUBSEQUENTLY COVERED BY PERMANENT (TAKEOUT) LOANS:

VA AND/OR FHA LOANS \_\_\_\_\_%

CONVENTIONAL LOANS \_\_\_\_\_%

19. DESCRIBE THE PROCEDURE FOR THE APPROVAL OF 1-4 FAMILY CONSTRUCTION LOANS. INDICATE HOW ALL RESPONSIBLE PERSONNEL NOTED IN QUESTION 3 PARTICIPATE IN THE APPROVAL PROCESS:  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

20. HOW ARE CONSTRUCTION LOANS FUNDED?

COMPANY FUNDS  YES  NO

PERMANENT INVESTOR FUNDS  YES  NO

WAREHOUSE LINE  YES  NO

OTHER (SPECIFY) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

21. DOES THE COMPANY USE "IN-HOUSE" (OR OUTSIDE) APPRAISERS TO REVIEW CONSTRUCTION PLANS AND/OR MAKE APPRAISALS?  YES  NO

22. PROCEDURES FOR DISBURSEMENT OF CONSTRUCTION FUNDS:

A. DO COMPANY PERSONNEL HANDLE ALL CONSTRUCTION PAYOUTS?  YES  NO

B. IS DISBURSEMENT OF CONSTRUCTION FUNDS THROUGH A TITLE COMPANY OR ESCROW AGENT WHICH EXAMINES THE DOCUMENTATION?  YES  NO

C. ARE PROGRESS PAYMENTS AUTHORIZED ONLY AFTER PHYSICAL INSPECTIONS ARE CONDUCTED?  YES  NO

D. **DOES THE COMPANY EMPLOY COUNSEL TO PARTICIPATE IN INITIAL DISCUSSIONS CONCERNING POTENTIAL LEGAL PROBLEMS INVOLVING MECHANICS' LIEN LAWS IN STATES WHERE THE CONSTRUCTION ACTIVITY IS PERFORMED?**

YES  NO

E. **DOES COUNSEL STRUCTURE COMPANY PROCEDURES WITH RESPECT TO COMPLIANCE WITH MECHANICS' LIEN LAWS PRIOR TO COMMENCEMENT OF CONSTRUCTION ACTIVITY?**

YES  NO

F. **DOES THE COMPANY EMPLOY STANDARD FORMS FOR PAYOUTS AND OTHER DOCUMENTATION WHICH ARE TAILORED TO THE MECHANICS' LIEN LAWS OF THE STATE IN WHICH THE CONSTRUCTION LOANS ARE MADE?**

YES  NO

IF "NO" APPLIES, PLEASE EXPLAIN:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

23. **DESCRIBE PHYSICAL INSPECTION PROCEDURES (I.E., QUALIFICATIONS OF THE INSPECTOR, HOW OFTEN ARE INSPECTIONS CONDUCTED AND AT WHAT STAGES OF CONSTRUCTION):** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

**IS THE PERSON WHO CONDUCTS INSPECTIONS THE SAME AS THE OFFICER OR EMPLOYEE WHO SERVED IN SOLICITING OR AUTHORIZING THE CONSTRUCTION LOAN?**

YES  NO

**DESCRIBE CONTROLS USED TO ASCERTAIN THAT UNDISBURSED CONSTRUCTION LOAN PROCEEDS ARE SUFFICIENT TO PERMIT COMPLETION:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

24. **PROCEDURES FOR DISBURSEMENT OF CONSTRUCTION FUNDS:**

A. **DO COMPANY PERSONNEL HANDLE ALL CONSTRUCTION PAYOUTS?**  YES  NO

B. **IS DISBURSEMENT OF CONSTRUCTION FUNDS THROUGH A TITLE COMPANY OR ESCROW AGENT WHICH EXAMINES THE DOCUMENTATION?**

YES  NO

C. **ARE PROGRESS PAYMENTS AUTHORIZED ONLY AFTER PHYSICAL INSPECTIONS ARE CONDUCTED?**

YES  NO

D. **DOES THE COMPANY EMPLOY COUNSEL TO PARTICIPATE IN INITIAL DISCUSSIONS CONCERNING POTENTIAL LEGAL PROBLEMS INVOLVING MECHANICS' LIEN LAWS IN STATES WHERE THE CONSTRUCTION ACTIVITY IS PERFORMED?**

YES  NO

E. **DOES COUNSEL STRUCTURE COMPANY PROCEDURES WITH RESPECT TO COMPLIANCE WITH MECHANICS' LIEN LAWS PRIOR TO COMMENCEMENT OF CONSTRUCTION ACTIVITY?**

YES  NO

F. **DOES THE COMPANY EMPLOY STANDARD FORMS FOR PAYOUTS AND OTHER DOCUMENTATION WHICH ARE TAILORED TO THE MECHANICS' LIEN LAWS OF THE STATE IN WHICH THE CONSTRUCTION LOANS ARE MADE?**

YES  NO

IF "NO" APPLIES, PLEASE EXPLAIN:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

25. **DESCRIBE PHYSICAL INSPECTION PROCEDURES (I.E., QUALIFICATIONS OF THE INSPECTOR, HOW OFTEN ARE INSPECTIONS CONDUCTED AND AT WHAT STAGES OF CONSTRUCTION):** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

**IS THE PERSON WHO CONDUCTS INSPECTIONS THE SAME AS THE OFFICER OR EMPLOYEE WHO SERVED IN SOLICITING OR AUTHORIZING THE CONSTRUCTION LOAN?**

YES  NO

**DESCRIBE CONTROLS USED TO ASCERTAIN THAT UNDISBURSED CONSTRUCTION LOAN PROCEEDS ARE SUFFICIENT TO PERMIT COMPLETION:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

26. **WHEN ARE PROGRESS PAYMENTS MADE ON AN INDIVIDUAL CONSTRUCTION LOAN?**

- A. **FOUNDATION COMPLETED**  YES  NO
- B. **UNDER ROOF**  YES  NO
- C. **UNDER COMPLETION**  YES  NO
- D. **MONTHLY**  YES  NO
- E. **OTHER (SPECIFY)\_\_\_\_\_**  YES  NO

27. **DO BRANCH OFFICES ORIGINATE 1-4 FAMILY CONSTRUCTION LOANS?**  YES  NO

- A. **IF "YES" APPLIES, DESCRIBE HOW THE AUTHORITY TO MAKE BRANCH OFFICE CONSTRUCTION LOANS IS CONTROLLED AND SUPERVISED BY THE HOME OFFICE:**  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- B. **DO BRANCH OFFICES DISBURSE CONSTRUCTION PAYOUTS?**  YES  NO

C. **ARE ALL BRANCH OFFICE CONSTRUCTION PAYOUTS REAPPROVED (OR LATER REVIEWED) BY THE HOME OFFICE?**  YES  NO

IF "NO" APPLIES, HOW IS SUCH DOCUMENTATION APPROVED?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

D. **WHAT ARE BRANCH OFFICE LIMITS ON SUCH CONSTRUCTION PAYOUTS WITHOUT HOME OFFICE APPROVAL?** \$\_\_\_\_\_

E. **DO BRANCH OFFICES CONDUCT APPRAISALS ON CONVENTIONAL CONSTRUCTION LOANS WITHOUT REVIEW AND APPROVAL BY THE HOME OFFICE?**  YES  NO

F. **ARE COPIES OF PHYSICAL INSPECTIONS SENT DIRECTLY TO THE HOME OFFICE BY THE PERSON IN THE BRANCH OFFICE WHO MADE THE INSPECTION?**  YES  NO

G. **DOES THE HOME OFFICE RECHECK PHYSICAL INSPECTIONS MADE BY BRANCH OFFICES?**  YES  NO

IF "YES" APPLIES, HOW OFTEN?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# TITLE COMPANY QUESTIONNAIRE

1. **ARE THE MORTGAGE AND TITLE COMPANIES REGISTERED AS SEPARATE ENTITIES WITH THE DEPARTMENT OF STATE?**  YES  NO
2. **DO YOUR MORTGAGE COMPANY AND TITLE COMPANY OCCUPY SEPARATE OFFICES?**  YES  NO
3. **DO YOUR MORTGAGE COMPANY AND TITLE COMPANY SHARE ANY STAFF OR EMPLOYEES?**  YES  NO
4. **DOES THE TITLE COMPANY REQUIRE TWO SIGNATURES ON ALL CHECKS GENERATED FROM THE ESCROW/FUNDING ACCOUNTS?**  YES  NO  
  
WHO ARE THE PERSONS AUTHORIZED TO SIGN CHECKS?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. **DOES THE MORTGAGE COMPANY UNDERGO AN ANNUAL AUDIT BY AN INDEPENDENT CPA?**  YES  NO
6. **DOES THE TITLE COMPANY UNDERGO AN ANNUAL AUDIT BY AN INDEPENDENT CPA?**  YES  NO
7. **IF THE ANSWERS TO QUESTIONS 6 AND 7 ARE YES, ARE THESE AUDITS CONDUCTED SEPARATELY?**  YES  NO
8. **DO YOUR MORTGAGE AND TITLE COMPANY HAVE SEPARATE AND DEDICATED PHONE AND FAX LINES?**  YES  NO
9. **ARE CLIENT FILES FOR BOTH COMPANIES MAINTAINED AT THEIR OWN ON-SITE LOCATIONS?**  YES  NO
10. **IS ALL COMMUNICATION BETWEEN THE TWO ENTITIES DONE EXCLUSIVELY THROUGH WRITTEN CORRESPONDENCE?**  YES  NO
11. **WHAT TITLE INSURANCE CARRIERS DOES YOUR TITLE COMPANY UTILIZE?**  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
12. **DO THESE TITLE CARRIERS AUDIT YOUR TITLE ENTITY?**  YES  NO  
  
IF THE ANSWER IS YES, PLEASE SEND A COPY OF THE MOST RECENT AUDIT.
13. **WHAT DISCLOSURE PROCEDURES ARE IN PLACE TO ENSURE FULL DISCLOSURE OF THE RELATIONSHIP BETWEEN YOUR MORTGAGE COMPANY AND YOUR TITLE ENTITY?**  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
  
PLEASE SEND A COPY OF THIS DISCLOSURE INFORMATION
14. **DOES THE BORROWER HAVE A CHOICE OF TITLE AGENT?**  YES  NO
15. **WHAT PERCENTAGE OF YOUR MORTGAGE COMPANY'S BORROWERS USE YOUR TITLE AGENCY?** \_\_\_\_\_%