

# MORTGAGE INVESTOR BOND

The Mortgage Investor Bond ("MIB") protects mortgage investors and warehouse lenders from dishonest and fraudulent conduct in the funding and purchasing of mortgage loans from contractually approved third-party origination sources and counterparty relationships.

## ELIGIBLE INSURED:

- Mortgage Banks
- Warehouse Lenders
- Wholesale Lenders
- Secondary Market Investors
- MBS Conduits
- Financial Institutions engaged in the warehouse lending and/or securitization of mortgage loans

## REASON FOR COVERAGE:

Exposure to catastrophic mortgage fraud losses is a significant operational risk in any large-scale mortgage lending institution. This risk is not adequately addressed by traditional fidelity or liability coverage.

The solution is a single policy specifically tailored to address the risk of mortgage fraud schemes. This coverage is designed for recognized market leaders in the mortgage industry. The ideal candidate is an institution with established quality controls and a proactive approach to mitigating fraud losses.

## POLICY STRUCTURE:

**Fidelity Clause** – expands traditional fidelity coverage by treating employees of mortgage bankers, sellers or seller/servicers (with which the Insured has a contractual relationship to fund or purchase mortgage loans) as employees of the Insured.

**Fraudulent Mortgage Clause** – covers direct financial loss resulting from an Employee's (including employees of mortgage bankers, sellers and seller/servicers under contract) reliance on mortgage documents in connection with the issuance of a mortgage loans, which prove to be fraudulent.

## INFORMATION NEEDED TO QUOTE:

1. Current audited and interim financials
2. Summary of mortgage lending operations
3. Summary of quality control procedures on loan underwriting and approval of lines and correspondent/counterparty bankers/brokers
4. Resumes of principal officers
5. On-site survey from program consultant, cost paid by the prospective insured refundable at contract inception.

Preliminary indication of pricing, terms of coverage and estimated cost of on-site survey will be provided within 3 to 5 days of receipt of information in items 1-4 above.

## VALUE PROPOSITION:

The current mortgage industry presents unprecedented risks due to increased sophistication of mortgage fraud schemes. The most serious fraud schemes usually involve industry insiders.

Many correspondent lenders and mortgage bankers/brokers carry inadequate limits of fidelity insurance in comparison to the volume of transactions produced. It thus takes very few affected loans to exhaust an underlying policy limit exposing the mortgage investor to substantial uninsured loss.

## LIMITS/DEDUCTIBLES:

Limit options provided based on individual risk characteristics (generally \$5,000,000 and higher).

Deductible options provided based on individual risk characteristics (generally \$1,000,000 and higher).

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