BANKERS INSURANCE SERVICE
Always A Leader

IS A DIVISION OF FINANCIAL AND PROFESSIONAL RISK SOLUTIONS, INC. TX LIC. # 15890
IN CA DBA: FPR INSURANCE SOLUTIONS, INC. LIC. #0G83953

THIRD PARTY FRAUD APPLICATION

GENERAL INFORMATION:

Applicant's Name: ☐

Applicant's Address: ☐

Applicant's Website: ☐

Name of Parent Organization: ☐

Parent Organization Website: ☐

Is the Applicant a: ☐ Warehouse Facility ☐ Credit Union ☐ Bank ☐ Other

Indicate the Limit(s) & Deductible(s) sought:

Limit(s):	Deductible(s):
☐ $5,000,000	☐ $750,000
☐ $7,500,000	☐ $1,000,000
☐ $10,000,000	☐ $1,500,000
☐ $15,000,000	☐ $2,000,000
☐ $20,000,000	☐ $2,500,000
☐ $25,000,000	☐ $3,000,000
☐ $50,000,000	☐ $3,500,000
☐ $75,000,000	☐ $5,000,000
Other: $ ☐	Other: $ ☐

UNDERWRITING INFORMATION:

1. Please advise what type of **CLIENTS** the applicant works with:

Retail Mortgage Bankers: ☐ Yes ☐ No
Wholesale Mortgage Bankers/Community Banks/Credit Unions: ☐ Yes ☐ No
Correspondent Mortgage Bankers/Community Banks/Credit Unions: ☐ Yes ☐ No
Other (please detail): ☐

2. Total number of **CLIENTS** provided with a warehouse line of credit:
   Previous Calendar Year: ☐
   Current Calendar Year: ☐
   Forthcoming Calendar Year: ☐

3. A) Total annual purchase/funded **volumes, in USD**, from all **CLIENTS** in 1. above:
   Previous Calendar Year: $ ☐
   Current Calendar Year: $ ☐
   Forthcoming Calendar Year: $ ☐

B) Total **number of loans** funded, on an annual basis, from all **CLIENTS** in 1. above:

Previous Calendar Year:
Current Calendar Year:
Forthcoming Calendar Year:

4. A) What is the **minimum** line size allowed to any one **CLIENT**?

Previous Calendar Year: $
Current Calendar Year: $
Forthcoming Calendar Year: $

B) What is the **maximum** line size allowed to any one **CLIENT**?

Previous Calendar Year: $
Current Calendar Year: $
Forthcoming Calendar Year: $

C) What is the average loan size across all **CLIENTS** in 1. above?

Previous Calendar Year: $
Current Calendar Year: $
Forthcoming Calendar Year: $

D) What was the largest loan funded, across all **CLIENTS** in 1. above?

Previous Calendar Year: $
Current Calendar Year: $
Forthcoming Calendar Year: $

E) What is the % split between wet and dry funding?

Previous Calendar Year:%
Current Calendar Year:%
Forthcoming Calendar Year:%

5. Do you have "participation" in your warehouse program? ☐ Yes ☐ No

If YES, in an attachment to this application, please provide details including:

- a copy of the participation agreement
- the number of participants you have
- the names of those participants
- their participation size, by participant:
- if the participation is "blind" (i.e. absolute control remains with the Applicant named above)
- if participants are allowed to contact the client
- if the Applicant ever gives up a majority interest in a participated line (if YES, please explain)
- if revenues (and losses) are shared on a pro-rata basis to participated line sizes
- the terms of the termination agreement with the participant
- if the participations are a Syndication, Club Deal or Direct
- any other information that can be provided to assist insurers in understanding the participations

6. Please confirm the total number of Employees (including managers) in the warehouse lending division ☐

(New Business: Please provide an up-to-date warehouse lending division organizational chart)

7. A) Details of Loan Types Funded/Purchased:

Conforming Loans:	☐ %	Percentage of these that are piggyback seconds:	☐ %
Alt-A Loans:	☐ %	Percentage that are low or no doc:	☐ %
Sub-Prime:	☐ %	Average FICO score of sub-prime loans:	☐
Option ARMS:	☐ %	Government Loans:	☐ %
Jumbo Loans:	☐ %	Non-QM made up Agency/Jumbo:	☐ %
		Average LTV (across all loans):	☐ %
		Average FICO score (across all loans):	☐

B) What % of **CLIENTS** sell loans to investors on a mandatory basis? ☐ %

C) What % of **CLIENTS** sell loans to investors on a best-effort basis? ☐ %

D) What % of loans, that you fund, are re-underwritten by you? ☐ %

E) What % of loans, that you fund, are screened using a fraud detection tool? ☐ %

8. A) What is the dwell time (in days) of loans held on the traditional line, across all **CLIENTS** in 1. above?
Average ☐ Minimum ☐ Maximum ☐

B) Please detail the number of aged loans, over 45 days, and specifics of their current disposition:

C) At what point (number of days) does curtailment start on aged loan(s)?

9. What computer software system vendor do you use, or is it a custom designed proprietary system (if the latter please provide full details)?

10. A) What type of Quality Control is performed on each loan?

B) Is more emphasis put on front-end, pre-fund quality control, or back end, post-funding quality control (please explain)?

11. Does your company use a fraud detection service? ☐ Yes ☐ No

If YES, what fraud tools does your company use?

12. Does your company do any type of appraisal verification on individual loans prior to funding?
☐ Yes ☐ No

If YES, please explain:

13. Is on-site due diligence performed on both new and existing clients as part of the approval/re-approval process?
☐ Yes ☐ No If YES, please answer the following:

i) is this due diligence performed by someone in the Applicant's credit department, sales department or by an independent third party?

ii) If you utilize independent third parties, please detail who these are (in order of usage)?

iii) After initial on-site due diligence, how often is subsequent on-site due diligence performed?

iv) What type of due diligence is performed?

v) Is on-site due diligence performed based upon line size? ☐ Yes ☐ No

14. A) What are the minimum net worth requirements for a client to be approved and how often are audited financials reviewed?

B) Do you require money to be put in a formalized pledge account or non-pledge account?
☐ Yes ☐ No
If yes, which type of account?

15. Please provide the revenue for the warehouse lending division for the:
Previous Calendar Year: $
Current Calendar Year: $
Forthcoming Calendar Year: $

16. If applicable, please provide details on your scorecard/grading system:

17. If applicable, please confirm the last two dates on which a due diligence review was performed on the applicant:

Who performed:

Were they on-site visits or via phone?

18. Does the applicant have any relationships with their mortgage banking **CLIENTS**? ☐ Yes ☐ No
If YES, please explain:

19. A) Please list the applicant's **current** top ten **CLIENTS** and their corresponding line sizes:

1.		$
2.		$
3.		$
4.		$
5.		$
6.		$
7.		$
8.		$
9.		$
10.		$

B) Please list the applicant's **prior year** top ten **CLIENTS** and their corresponding line sizes:

1.		$
2.		$
3.		$
4.		$
5.		$
6.		$
7.		$
8.		$
9.		$
10.		$

20. A) Please list the applicant's top ten **CLIENTS** based upon their average outstandings (in millions):

	Warehouse Client	Average Daily Principal	Facility Limit	Line Turnover Days
1.		$	$	
2.		$	$	
3.		$	$	
4.		$	$	
5.		$	$	
6.		$	$	
7.		$	$	
8.		$	$	
9.		$	$	
10.		$	$	

B) Please list applicant's top ten **CLIENTS** from **Previous Year** based upon their average outstandings (in millions):

	Warehouse Client	Average Daily Principal	Facility Limit	Line Turnover Days
1.		$	$	
2.		$	$	
3.		$	$	
4.		$	$	
5.		$	$	
6.		$	$	
7.		$	$	
8.		$	$	
9.		$	$	
10.		$	$	

CLOSING AGENT QUESTIONS:

21. Do you have an approved or excluded list of closing agents? ☐ Yes ☐ No

If YES, how often is it updated?

If NO, please explain how you select/accept closing agents:

22. What due diligence do you perform, or is performed for you by an independent third party, on each closing agent?

23. A) Do you verify that each closing agent is licensed and insured? ☐ Yes ☐ No

If YES, do you obtain copies of their Fidelity Bond and E&O coverages? ☐ Yes ☐ No

If NO, please explain:

B) Do you require closing agents to hold a certain minimum Limit and maximum Deductible?
☐ Yes ☐ No

If YES, what limit and deductible?

24 A) How many of your **CLIENTS** have ownership interest, directly or indirectly, in a Title and/or Escrow Company, Closing Agency or other real estate related companies?

B) Do you allow those CLIENTS to fund directly with their affiliated company? ☐ Yes ☐ No

If YES,

i) What minimum Limit of Indemnity/Liability do you require to be held, for both their Fidelity Bond and E&O coverages?
   a. Fidelity Bond
   b. E&O

ii) Do you allow them to fund their maximum line size, or a lesser figure?

If lesser, what is that figure?

CLAIMS INFORMATION (25 - 27):

25. Has the applicant incurred, or are there any pending, financial losses, due to 3rd party fraud during the last five years?
☐ Yes ☐ No If YES, please attach full details.

26. Has the applicant received any inquiries from any regulators, or commenced any internal investigations regarding any of their business practices?
☐ Yes ☐ No If YES, please attach full details.

27. Have there been, or are there now pending, claim(s), suit(s), or action(s) (including, but not limited to, any investigation) against any person or entity applying for insurance under this proposed coverage in connections with mortgage warehouse lending products, practices or activities?
☐ Yes ☐ No If YES, please attach full details.

28. **ADDITIONAL INFORMATION** Please Include and indicate if included with application:
- Applicant & Parent Organizations most recent audited annual financials ☐ Yes ☐ No
- Applicants Business plan for the next 12 - 36 months ☐ Yes ☐ No

WARNING

ANY PERSON WHO, WITH INTENT TO DEFRAUD OR KNOWING THAT (S)HE IS FACILITATING A FRAUD AGAINST AN INSURER, SUBMITS AN APPLICATION OR FILES A CLAIM CONTAINING A FALSE OR DECEPTIVE STATEMENT MAY BE GUILTY OF INSURANCE FRAUD.

Applicable in AL, AR, DC, LA, MD, NM, RI and WV
It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties (may)* include imprisonment, fines and denial of insurance benefits. *Applies in ME Only.

Applicable in CO
It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or
claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the Department of Regulatory
Agencies.

Applicable in FL and OK
Any person who knowingly and with intent to injure, defraud, or deceive any insurer files a statement of claim or an application containing any false, incomplete, or misleading information is guilty of a felony (of the third degree)*. *Applies in FL Only.

Applicable in KS
Any person who, knowingly and with intent to defraud, presents, causes to be presented or prepares with knowledge or belief that it will be presented to or by an insurer, purported insurer, broker or any agent thereof, any written statement as part of, or in support of, an application for the issuance of, or the rating of an insurance policy for personal or commercial insurance, or a claim for payment or other benefit pursuant to an insurance policy for commercial or personal insurance which such person knows to contain materially false information concerning any fact material thereto; or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act.

Applicable in KY, NY, OH and PA
Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties* (not to exceed five thousand dollars and the stated value of the claim for each such violation)*. *Applies in NY
Only.

Applicable in ME, TN, VA and WA
It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties (may)* include imprisonment, fines and denial of insurance benefits. *Applies in ME Only.

Applicable in NJ
Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.

Applicable in OR
Any person who knowingly and with intent to defraud or solicit another to defraud the insurer by submitting an application containing a false statement as to any material fact may be violating state law.

Applicable in PR
Any person who knowingly and with the intention of defrauding presents false information in an insurance application, or presents, helps, or causes the presentation of a fraudulent claim for the payment of a loss or any other benefit, or presents more than one claim for the same damage or loss, shall incur a felony and, upon conviction, shall be sanctioned for each violation by a fine of not less than five thousand dollars ($5,000) and not more than ten thousand dollars ($10,000), or a fixed term of
imprisonment for three (3) years, or both penalties. Should aggravating circumstances [be] present, the penalty thus established may be increased to a maximum of five (5)
years, if extenuating circumstances are present, it may be reduced to a minimum of two (2) years.

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 IT'S 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/HER 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.

This application is the most recent completed application and supersedes any previous applications submitted by applicant or insured.

SIGNATURE **TITLE**

APPLICANT COMPANY NAME

MONTH, DAY & YEAR SIGNED