



Pacific Union Financial
YOUR INTERESTS ARE COVERED

**Pacific Union Correspondent
Loan Purchase Program
Sellers Manual
& Guidelines**

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Correspondent Application

List of Fees

Lock Form

Preferred Vendor Information

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Wire Funds Set-up Instructions

Pacific Union Financial has your interests covered. We value our business partnerships within the mortgage industry. We strive to consistently exceed the expectations of our Clients, our Affiliates and our Employees.

General

Pacific Union Financial (PUF) complies with all laws and regulations regarding non discrimination and loan disclosure. Employees of Pacific Union Financial will not discriminate against any person who requests credit. It is our fundamental belief that Pacific Union Financial should be able to approve transactions for all creditworthy borrower(s). Pacific Union Financial will only extend credit to those borrower(s) that have demonstrated the credit, capacity and intent to repay the loan requested.

Pacific Union Financial will consider all applications for extension of credit made in writing at the company's processing centers.

Pacific Union Financial will only do business with Lenders that are in good standing with appropriate licensing authorities. When a Lender presents a package to us for extension of credit, PUF will independently verify and evaluate the borrower(s) ability to repay the loan.

Pacific Union Financial does not originate high cost loans as defined by HOEPA or any state law. Pacific Union Financial follows Fannie Mae's principals on responsible lending and fee limitations.

Seller Requirements

Requirements for Seller Approval

- A. \$1,000,000 Audited Net Worth (tangible assets) with 50% liquid.
- B. Minimum 1 year experience is required in areas such as drawing docs, funding, shipping and secondary marketing
- C. Underwriter(s) must have a minimum 2 years conventional and/or FHA underwriting experience.
- D. Funder(s) must have a minimum 2 years experience
- E. E & O and Fidelity Bond (minimum coverage \$300,000)
- F. MERS Membership
- G. FHA compare ratio under 150%

Application

Sellers should carefully review and fully complete the application. Applications with incomplete and/or missing information will not be approved. Pacific Union Financial requires the seller to have qualified and adequate personnel in place with sufficient knowledge and experience of the mortgage industry. It is imperative these qualifications are met and maintained to the standards stated in this manual.

A. Loan Purchase Agreement

B. Completed Wire Funds Set-up Instructions

C. Copy of State issued Corporate and Brokers License with DBA as applicable, with DBA shown on license. Licenses in corporate name must show Broker as designated officer.

D. A signed copy of your Quarterly Income Statements and Balance Sheets showing a profit must be provided in accordance with general accepted accounting principles (GAAP)

E. A copy of your past 2 years audited financials, profitable for the last 2 yrs. We require GAAP to be used in audited financials.

F. Acceptable Quality Control Plan – written quality control policies and procedures are required for review prior to approval. The last four quarters results are required for review.

Prior Approval and Delegation Authority

All FHA approved Full Eagle Sellers with Underwriters that meet our requirements are fully delegated to underwrite loans to Pacific Union Financial credit and eligibility standards. Pacific Union Financial will review all loans and provide a funding condition list to the Seller prior to funding to ensure the seller meets our saleability standards.

All Conventional loans must be prior approved by Pacific Union Financial; no delegation of underwriting authority is available but may be reviewed and approved on a case by cases with very strong experience levels and a proven track record with PUF.

Yearly Review and Renewal, Audits and Reporting

An annual review will be conducted requiring audited financials and any changes or updates from prior approval.

In addition the Seller is obligated to provide any changes or updates that occur between reviews. The Seller is required to immediately update and forward any changes financially, organizationally, and procedurally to Pacific Union Financial.

From time to time Pacific Union Financial may either conduct a review of the Seller's facility and operations and/or request additional financials with authorization to check additional assets and references.

Pacific Union Financial may audit the Seller's loan origination operations and examine the books and records relating to any mortgage loan sold by the Seller. Seller will facilitate such audits and provide Pacific Union Financial and its agent's access to the Seller's offices, books and records at reasonable times during the Seller's normal business hours.

Seller must deliver copies of any notification of termination of license or lending authority immediately. If the Seller is under investigation or suspended or under investigation from any one of the governmental agencies or quasi-governmental agencies, Seller must immediately notify and forward any notices or documentation to Pacific Union Financial.

Pull-Through Ratio Requirements

Seller must maintain a locked to purchase pulls through ratio of 80% or better. The pull-through ratio is comprised of purchase loans by Pacific Union Financial, LLC versus all locked loans.

Representations, Warrants and Covenants

By agreeing to sell loans to Pacific Union Financial, LLC (Pacific Union Financial) hereinafter referred to as "Buyer", in accordance with the provisions of the Correspondent Loan Purchase Agreement, hereinafter referred to as "Agreement" and in this Correspondent Lending Seller Manual, hereinafter referred to as "Manual", the Correspondent Seller, hereinafter referred to as "Seller", hereby represents, warrants and covenants to Buyer as of the date of the Agreement and as of the date of Buyer's purchase of each Mortgage Loan to comply and maintain compliance with all the provisions in the Agreement, Manual and any other agreement by and between Buyer and Seller.

Seller represents that it has all requisite power and authority to execute and enter into the Agreement and to perform the obligations required contained within. The execution and delivery of the Agreement and all documents, instruments and agreements required to be executed by Seller have been duly and validly authorized by all necessary action of Seller. The Agreement constitutes a valid, legal and binding agreement of Seller enforceable by Buyer in accordance with its terms subject to bankruptcy, insolvency, reorganization, receivership or other laws affecting rights of creditors generally, and general equity principles.

Maintain Good Standings

Seller is and will continue to be duly organized, validly existing, and in good standings under the Laws of the United States or under the Laws of the jurisdiction

in which it was incorporated or organized, as applicable, and has and will continue to maintain all licenses, registrations, and certifications necessary to carry on its business as now being conducted, and is and will continue to be licensed, registered, qualified, and in good standing in each state where property securing a Mortgage Loan is located if the Laws of such state require licensing, registration, or qualification in order to conduct business of the type conducted by Seller.

Seller represents that it employs or will employ a sufficient number of knowledgeable and capable individuals to perform the services required by the Agreement. Seller will continue to maintain minimum tangible net worth requirements per their level of approval issued by Pacific Union Financial.

Seller has the ability to perform each and every obligation of and/or satisfy each and every requirement imposed on Seller pursuant to the Agreement, and no offset, counterclaim, or defense exists to the full performance by Seller of the requirements of the Agreement.

There are no actions, litigation, suits or proceedings pending or threatened against the Seller before or by any court, administrative agency, arbitrator or governmental body with respect to any matter which, in the judgment of the Seller, if filed adversely to the Seller would reasonably be expected to materially and adversely affect the Seller's ability to perform its obligations under the Agreement and Manual, and the Seller is not in default with respect to any order of any court, administrative agency, arbitrator or governmental body so as to materially and adversely affect the transactions contemplated by the Agreement.

Sole Owner and Holder of the Mortgage Loan

Seller is the sole owner and holder of the mortgage loan free and clear of any liens or, pledges except for the pledge of the mortgage note by Seller with a warehouse Seller disclosed and approved by Pacific Union Financial, charges or security interest of any nature, and has full right and authority to sell and assign the same pursuant to the Agreement.

No Servicing Restrictions

There are no restrictions, contractual or governmental, which would impair the ability of Pacific Union Financial or its designees from servicing the mortgage loan.

Not in Default

The mortgage loan is not in default and all monthly payments due prior to the transaction date have been timely paid and all taxes, assessments, insurance premiums, water, sewer, and municipal charges relating to the property secured by the mortgage loan have been paid.

There is no default, breach, violation, anticipated breach or event of acceleration existing under the mortgage or the related mortgage note and no existing or known

event which, with the passage of time would constitute a default, breach, violation or event of acceleration under such mortgage or the related mortgage note.

Loan is Not Subject to Right of Rescission or Counter Claim

The mortgage loan is not subject to any right of rescission, set-off, counter claim or defense and is not unenforceable under any terms. The mortgage note, the mortgage and any other agreement executed and delivered by a borrower or guarantor, if applicable, are genuine, legal, valid, binding and enforceable obligations of the maker thereof. All parties to the mortgage note and any other agreement executed and delivered by a borrower or guarantor, if applicable, had legal capacity to execute such documents and such parties have in fact, properly executed all such documents.

Funding Meets Applicable State and Federal Laws

The mortgage loan, and the funding thereof, meets, or is exempt from, applicable state and federal laws, regulations and other requirements pertaining to usury, fees, and expenses incurred in the making of that mortgage loan. This includes usury, truth-in-lending, real estate settlement procedures, disclosure laws, consumer credit protection and equal credit opportunity have been complied with.

Proceeds Fully Disbursed

The proceeds of the mortgage loan have been fully disbursed and there is no requirement or anticipation of future advances.

No Holdbacks are allowed. Seller expressly agrees not to not participate, accept, allow or issue escrow holdbacks. All costs, fees and expenses incurred in making, closing or recording the mortgage loan have been paid.

No Mechanic Liens or Claims for Work

At settlement of the mortgage loan and to the Seller's knowledge as of the transaction date, there were no mechanic's liens or claims for work, labor or material affecting the mortgaged property which are or may be a lien prior to the lien of such mortgage except those which are insured against by the title insurance policy.

Property and Improvements

All improvements, which are included for purposes of determining the appraised value of the mortgage property, lie wholly within the boundaries and building restriction lines of such property and there are no adverse material conditions that would affect the appraised value. No improvements on the adjoining property encroach upon the mortgaged property except as insured against by the related title policy.

At settlement of the mortgage loan, and to the Seller's knowledge as of the transaction date, no improvement located on or being part of the mortgaged property was in violation of any applicable zoning law or regulation.

To the best of Seller's knowledge, there are no hazardous substances or toxic waste located on or under said property so as to affect the value of said property.

There is no proceeding pending or, to the Seller's knowledge threatened, for the total or partial condemnation of the mortgaged property and said property is undamaged by waste, fire, earthquake, earth movement, subsidence, wind, storm, flood, water, tornado or other casualty and the mortgaged property is in good repair.

There are no circumstances or conditions other than what is consented to in writing by Pacific Union Financial with respect to the mortgage, the mortgaged property, the borrower, or the borrower's credit standing that can be reasonably expected to cause private institutional investors, which invest in mortgage loans with commensurate credit grades consistent with a mortgage loan sold by Seller to Pacific Union Financial to regard the mortgage loan as an unacceptable investment, cause the mortgage loan to become delinquent, or adversely affect the value or marketability of the mortgage loan.

Qualified Appraiser & General Appraisal Requirements

Any and all appraisals prepared for purposes of the mortgage loan to verify and validate the value of the mortgaged property were prepared for the Seller only in accordance with Appraisal Independence Requirements and performed by an unbiased third party that is a duly qualified and licensed appraiser and each such appraisal validly and accurately represents the current market value of the mortgaged property at the time the appraisal was performed. Each appraisal will meet and be delivered in a format consistent with Fannie Mae and Ginnie Mae requirements.

A re-inspection or inspection will be required on all properties located in Federally Declared Disaster Areas if the value of the property was determined prior to the date of the natural disaster. FHA Streamline refinance loans that do not require an appraisal require an exterior inspection to be performed by an FHA-approved inspector to ensure the property has not been damaged.

Mortgage Loan

The mortgage loan has not been satisfied, cancelled, subordinated or rescinded, in whole or in part (other than as to principal prepayments in full which may have been received prior to the transaction date), and the mortgaged property has not been released from the lien of the mortgage, in whole or in part, nor has any instrument been executed that would effect any such satisfaction, cancellation, subordination, rescission or release.

Funding Documentation

The mortgage file contains each of the documents and instruments specified to be included therein as required under this Manual, and each such document or instrument is in a form specified by this Manual. For those documents or instruments, which are not in a form specified by this Manual, then Seller has obtained prior approval from Pacific Union Financial as to the acceptability of said documents or instruments.

No Impaired, Waived, Altered or Modifications

The terms of the mortgage note and mortgage have not been impaired, waived, altered or modified in any respect from the date of origination, except by a written instrument which has been recorded, if necessary to protect the interest of Pacific Union Financial, and which has been delivered to Pacific Union Financial or to such other person as Pacific Union Financial shall designate in writing.

Record Security Instrument

Each mortgage, deed of trust and all other security instruments securing such a mortgage loan have been duly recorded in or submitted for recording in the office of the jurisdiction where the premises are located.

Qualified and Authorized Trustee

Any trustee named in the mortgage loan is duly qualified and authorized to serve as such in the applicable jurisdiction has been properly designated and currently so serves. No fees or expenses are currently due to such Trustee other than any fees or expenses that might be incurred after a default.

Due-on-sale

Unless otherwise provided for in the Manual, the mortgage loan contains an enforceable provision for the acceleration of the payment of the unpaid principal balance of the mortgage loan in the event that the Mortgage Property is sold or transferred without prior written consent.

Title Insurance Policy

Title Insurance Short Form Policies are not acceptable. Title Insurance policies must meet the requirements of Fannie Mae and Freddie Mac with each policy to be written on a standard Title Insurance form. The only acceptable ALTA Title Insurance policy is the most recent version available or dated not later than the 1992 version, all of which contain the updated creditor's exclusion statement. Each Title Insurance policy must be underwritten by a Title Insurance company that has a Financial Stability Rating of "A" or better from Demotech, Inc.

The effective date of the Title Insurance may be no earlier than the latter of the date of the final disbursement of the loan proceeds, or the date the mortgage was recorded.

The minimum amount of Title Insurance coverage is the original principal amount of the mortgage loan being insured. The Title Insurance Policy must show the name of Seller, its successors and/or assigns, or Pacific Union Financial, LLC, its successors and/or assigns.

Title must be free and clear of all liens and encumbrances. The title to the property securing a mortgage loan must be good and marketable, and free and clear of all liens and encumbrances. The title policy must not be subject to any exceptions unless stated in this Manual.

Each title insurer is qualified to do business in the jurisdiction where the subject is located. Each such policy shall insure Seller, its successors and assigns to the first (or, if indicated by Seller, second) priority of the mortgage, and shall be in the amount of the original principal of the mortgage loan.

Seller warrants that they are the named insured and sole insured of such title policy and that the assignment to Pacific Union Financial of Seller's interest in such title insurance does not require the consent of or notification to the insurer, and that such insurance policy is and will remain in full force and effect and will insure to the benefit of Pacific Union Financial and if Pacific Union Financial assigns upon the consummation of the transaction contemplated by the Agreement and any subsequent assignments by Pacific Union Financial, LLC.

Seller warrants that no claims have been made under such title insurance policy and neither Seller nor any prior holder of the mortgage has done anything which would impair the coverage of such title insurance policy and that nothing contemplated in the Agreement, or any transfer to Pacific Union Financial, will impair the coverage of such title insurance policy. In the event that a married borrower wishes to take title to the mortgaged property without his or her spouse, the lien created by the mortgage must be superior to any interest in the mortgaged property the spouse may have under the law or otherwise.

Only the borrowers applying of a mortgage loan are allowed to be on the note and security instrument. Title can only be in the name of the borrowers applying for a mortgage loan. We do not allow a spouse to sign the security instrument and be added to title without applying for a mortgage loan.

Survey Requirements

Unless it is covered by a master title insurance policy which insures against loss due to survey-related matters, a plat or improvement survey must be provided. The survey must indicate the location of the subject plot, any easements, encroachments, building lines, street lines, boundary lines, structures and/or improvements.

Endorsement Requirements

The following Endorsements are required as applicable:

All loans: 8.1 Environmental Protection

Condominiums: 115.1
PUD's: 115.2
Comprehensive Endorsement 100 or its equivalent
116 Location Endorsement or its equivalent

Instructions to Settlement Agents & Title Companies

Sellers are required to provide settlement agent/title companies with complete and accurate instructions. Settlement agent/title companies are required to adhere fully to all written closing instructions.

Non Compliance to the above will make loans ineligible for purchase by Pacific Union Financial.

Allowable Vesting

Borrowers may hold title individually, as joint tenants, or as tenants in common. Title may NOT be held in as any of the following:
As Corporations, partnerships, real estate syndications.

The Borrower's title to the mortgaged property must be fee simple;

Pacific Union Financial does not accept leasehold estate.

Insurance Against Loss

Hazard Insurance

The Insurance Company issuing the policy must meet Fannie Mae guidelines. The insurance company must be authorized by law or licensed by the jurisdiction to transact business within the state where the subject property is located.

The mortgaged property and all improvements thereon are insured against loss by fire and other such hazards as are customary in the area where the mortgaged property is located. Such coverage shall contain fire and hazard insurance policy with extended coverage. The following is a review of some of the requirements.

The coverage under such policy shall be at least equal to the greater of the outstanding principal balance of the mortgage loan, 80% of the insurable value of the improvements as long as that value equals the replacement cost of the improvements with a replacement cost guarantee endorsement, or an amount sufficient to prevent the borrower or loss payee from becoming a coinsurer (however, under no circumstances shall the amount of insurance required exceed that amount allowed by law).

Additional Coverage The following additional coverage is required, as applicable:

Rent Loss: The borrower must maintain rent loss insurance for all two to four unit properties, which are not occupied by the borrower.

Hazard insurance policies that include optional coverage that is not required by Pacific Union Financial are acceptable, provided that Pacific Union Financial is not obligated to renew any part of the coverage that they do not require.

At the time of Closing Package submission, the Seller must provide either a hazard insurance binder with a paid receipt for one full year's premium paying in advance, or the final hazard insurance policy evidencing coverage is paid in full and no payment is due.

Refinance transactions do not need to be paid for one full year but the next premium due date may not occur for at least 90 days from the date of closing.

Upon purchase the Seller is required to send a change of loss payee to the insurance company. The Seller must be prepared to provide evidence the request was sent to insurance company if required. An updated Hazard Insurance policy listing Pacific Union Financial, LLC as successors and or assigns must be received within 90 days of purchase by Pacific Union Financial.

The mortgagee clause must read:

**Pacific Union Financial, LLC ISAOA/ATIMA
P.O. Box 57046
Irvine, CA 92619-7046**

Such insurance policy and any other insurance policy related to the mortgage loan or the mortgaged property contains a standard mortgagee clause naming Seller and its successors and assigns as mortgagee and loss payee. Each mortgage obligates the borrower to maintain such insurance at their costs and expense and allows the mortgagee to obtain and maintain such insurance at borrower's costs and expense, and to seek reimbursement from the borrower should there be any failure by the borrower to maintain such policy.

Condominiums and attached PUD's require a master or blanket policy covering the project, and a certificate of insurance for each individual unit secured by the loan sold to Pacific Union Financial. Contents only HO-6 policies for at least 20% of the value of the property must be obtained by borrower or evidenced in master hazard policy for project and be paid through escrow or collected with impounds if required.

PUD units covered under the project's blanket policy must be allowed in the homeowner's association documents and under the blanket insurance policy. The HOA Hazard Insurance policy must contain the borrowers name and unit.

In addition, the homeowner association must maintain a policy that covers the common areas, fixtures, equipment, personal property, and supplies of the project. Premiums with respect to such policies should be considered a common expense of the related project.

Condominiums:

The Certificate of Insurance policy must contain the borrower name and unit. An individual hazard insurance policy is not required for a condominium unit. Seller must verify that coverage of \$1,000,000 is in force for the entire project before the mortgage loan is delivered to Pacific Union Financial.

For attached PUD's and condominiums, the amount of hazard insurance coverage must be at least equal to 100% of the insurable replacement costs of the project improvements, including individual units. A hazard insurance policy that includes a guaranteed replacement cost endorsement or a replacement cost endorsement satisfies this requirement. If the hazard insurance policy includes a coinsurance clause, an agreed amount endorsement waiving the coinsurance clause is required.

Effective Date

Must be prior to or same as the date of closing. On Purchase transactions – Policy must extend for minimum 12 months, Refinance transactions – Policy must extend for minimum 3 months.

Deductible

Unless state law requires a higher maximum amount, the maximum deductible may not exceed the higher of \$5,000 or one (1) percent of the face amount of the policy. The deductible clause may apply to fire, extended coverage, or both. When a policy provides for a separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible may be the higher of \$2000 or two (2) percent of the face amount of the policy (or 2 percent of a PUD unit's replacement cost, if the unit is covered under a blanket insurance policy).

Flood Insurance

The Seller must require Flood Insurance in connection with mortgages where the subject property is located in a community that is participating in the National Flood Insurance Program and the property is in a special flood hazard area according to a Flood Hazard Boundary Map (FHBM) or Flood Insurance Rate Map (FIRM). These areas are designated as Zone A, E, or M on the FHBM or Zones A, AO, AH, A1-30, AE, 99, VO, VI-30, VE, V, E, or M on the FIRM. Loans secured by properties in these Zones must include Flood Insurance. Flood Insurance Requirements are waived if the subject property improvements are not in the special flood hazard area, even though part of the property (land) may be located in a designated flood zone.

The minimum amount of flood insurance for 1-4 unit properties is the lower of 100% of the full replacement cost of the insurable improvements (or the unpaid

balance of the mortgage if replacement costs coverage is not available) or the maximum insurance available under the National Flood Insurance Program.

Any statements made by the borrower or the Seller in applications for such policies were true, complete and correct at the time the application was made and there are no events that have occurred since that policy was issued that would affect the stated coverage of the policy.

For condominium loans, a blanket policy of flood insurance in the name of the owners association must be obtained in accordance with Fannie Mae Guidelines. The amount of coverage for 100% each building, including machinery and equipment that are part of the building(s) *and* 100% of building contents which are owned in common by all the homeowners within the project or must be the maximum amount available, if the required insurance exceeds the maximum insurance available under the National Flood Insurance Program. Members of the National Flood Insurance Administration (NFIA) must in the form of the standard policy issue flood insurance. If flood insurance is required, the mortgage loan must close with one of the following:

A complete flood insurance policy containing a standard mortgagee clause that must read as described in this Manual.

A complete application to the National Flood Insurance Program Agency (NFIP) with evidence that the first year premium on the policy has been paid, and an elevation certificate if the property was constructed after the date of the FIRM.

Flood Certificate

Sellers are expected to provide a Life of Loan Flood Certificate. Sellers may utilize any vendor providing life-of-loan coverage.

Pacific Union Financial will net fund the cost for a Life-of-Loan Flood Certification if one is not provided in the file. See Fees for current pricing.

Earthquake Insurance

Earthquake insurance is required for any property located on or in close proximity to a structural fault, or in a special seismic studies zone. If there is no mention made in the appraisal, survey, or title policy regarding earthquake exposure, earthquake insurance should not be required. Pacific Union Financial relies on Seller's representations and warranties that, as of the date a mortgage loan has been purchased, the applicable required dwelling insurance has been obtained and the premium for such insurance has been paid.

Accuracy of Documents

The documents, instruments, agreements and other information submitted to Pacific Union Financial were not falsified and contain no untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the information and statements therein not misleading. No fraud, error, omission, misrepresentation, negligence or similar occurrence with respect to a mortgage loan has taken place on the part of any person, including without limitation, the borrower, any appraiser, any builder or developer, or any other party involved in the origination or servicing of the mortgage loan. The Seller has reviewed all of the documents constituting the mortgage file and has made such inquiries as it deems necessary to make and confirm the accuracy of the representations set forth herein.

A Valid, Existing and Enforceable First Lien

The mortgage is a valid, existing and enforceable first lien on the mortgaged property, including all improvements on the mortgaged property subject only to (i) the lien of current real property taxes and assessments not yet due and payable, (ii) covenants, conditions and restrictions, rights of way, easements and other matters of the public record as of the date of recording being acceptable to mortgage lending institutions generally and specifically referred to in the owner's title insurance policy delivered to the originator of the mortgage loan and which do not adversely affect the appraised value of the mortgaged property, (iii) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided by the mortgage or the use, enjoyment, value or marketability of the related mortgaged property. Any security agreement, chattel mortgage or equivalent document related to and delivered in connection with the mortgage loan establishes and creates a valid, existing and enforceable first lien and first priority security interest on the property described therein and the Seller has the full right to sell and assign the same to Pacific Union Financial.

MERS

In lieu of preparing and recording an assignment of mortgage in the name of Pacific Union Financial the Seller must register the mortgage loans on MERS and transfer the ownership after loan purchase to PACIFIC UNION FINANCIAL using MERS .

All mortgages and/or deeds of trust must be MOM originated and recorded in the name of MERS or its designee. Seller is required to close loans using MERS as the nominee, including a Mortgage Identification Number (MIN- a unique identification number assigned by MERS) placed on the Security Instrument.

Loans sold to PACIFIC UNION FINANCIAL must be transferred to Pacific Union Financial as Investor and Servicer via MERS no more than 72 hours after purchase, and never before purchase (MERS ORG # 1005213)

High Cost Loan

The Seller warrants that each Mortgage Loan sold to Pacific Union Financial is not a "High Cost Loan" or "predatory loan". The mortgage loan is (a) a "high cost" loan under the Home Ownership and Equity Protection Act of 1994, specifically Section 32 of Regulation Z or (b) a "high cost," "threshold," "covered" or "predatory" or similar loan under any other applicable state, federal or local law or a similarly classified loan using different terminology.

Customary and Enforceable Provisions

The mortgage and related mortgage note contain customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the mortgaged property of the benefits of the security provided thereby, including (i) in the case of a mortgage designated as a deed of trust, by trustee's sale, and (ii) otherwise by judicial foreclosure. Following the date of origination of the mortgage loan, the mortgaged property has not been subject to any bankruptcy proceeding or foreclosure proceeding and the borrower has not filed for protection under applicable bankruptcy laws. There is no homestead or other exemption or right available to the borrower or any other person that would interfere with the right to sell the mortgaged property at a trustee's sale or the right to foreclosure subject to applicable federal and state laws and judicial precedent with respect to bankruptcy and right of redemption or similar law.

Purchase or Not Purchase

The Seller's decision to originate the mortgage loan or to deny any mortgage loan is an independent decision, and is in no way made as a result of Pacific Union Financial's decisions to purchase, or not to purchase, any such mortgage loan, if originated.

Anti-Money Laundering Laws

The Seller has complied with all applicable anti-money laundering laws and regulations, including without limitation the USA Patriot Act of 2001 (collectively, the "Anti-Money Laundering Laws"); the Seller has established an anti-money laundering compliance program as required by the Anti-Money Laundering Laws

Civil Relief Act of 1940

The borrower has not notified the Seller, and the Seller has no knowledge of any relief requested or allowed to the borrower under the Soldiers' and Sailors' Civil Relief Act of 1940 as amended, or other similar state statute.

Consumer Report

As to each consumer report (as defined in the Fair Credit Reporting Act, Public Law 91-508) or other credit information furnished by the Seller to Pacific Union Financial, that Seller has full right and authority and is not precluded by law or contract from furnishing such information to Pacific Union Financial and Pacific Union Financial is not precluded from furnishing the same to any subsequent or prospective purchaser of such mortgage.

Tax Service

A charge assessed in association with the transferring of tax services. A completed tax form is required with each whole loan package.

Quality Control and Audit System

Seller has a quality control/internal audit system which reviews the authenticity of the information utilized in underwriting the mortgage loans, including verification of credit information, accuracy of appraisal, and verification of employment, and acknowledges that Buyer is relying on Seller as to the truth and accuracy of such third party information contained in mortgage loans. Seller agrees to inform the Buyer of any irregularities discovered on mortgage loans, and to take appropriate remedial action, which may, in accordance with the terms of the Agreement, include repurchasing the mortgage loan(s) in the event Buyer is damaged as a result of the inaccuracy of such information.

Effect of Termination

Any termination of the Agreement shall not affect Seller's obligation with respect to mortgage loan previously sold or delivered to Buyer prior to the effective date of such termination.

Confidentiality

As a result of its relationship with Buyer and access to the Agreement, Seller will learn or have access to various trade secrets, confidential and proprietary methods, techniques, processes, applications, approaches and other information in various forms, which such information is used or useful in the conduct of Buyer's business, including its origination, purchase, sale and servicing of mortgage products, collectively referred to as "Confidential Information". Seller acknowledges that such Confidential Information is the exclusive property of Buyer. Seller shall not, at any time, regardless of when and how its relationship with Buyer may end, directly or indirectly use, disclose, publish, reveal, copy, disseminate or otherwise make available such Confidential Information, other than as expressly set forth herein or in the Agreement.

Early Payoff

In the event that the borrower refinances the Loan prior to the making the first three (3) payments due to PUF and/or it's assigns following the Purchase Date, Seller shall promptly reimburse PUF for the total Servicing Released Premium paid as published on the Loan Purchase Advice , or calculated internally by PUF. A payment for which PUF deducted funds at the time it purchased the Loan from Seller shall not be considered one of the first three (3) payments due PUF.

In the event that the borrower refinances the Loan after making the first three (3) payments due to PUF and/or it's assigns following the Purchase Date, Seller shall promptly reimburse PUF for the total Servicing Released Premium paid as published on the Loan Purchase Advice, or calculated internally by PUF, if the Loan is refinanced by Seller or an Agent of Seller. Notwithstanding, Seller shall not be

obligated to refund the Service Release Premium in the event Seller refinances the Loan with PUF pursuant to negotiated pricing as referenced above.

Right to Offset

Seller agrees that the Buyer shall have the right to offset amounts owed to Buyer and/or net and offset monies owed on any and all loans submitted to Buyer.

Registration

Loans can be registered on FLOW or by faxing the registration form. We will use the information provided on the Registration Form to issue a loan number and “invite” you to submit your loan (please see Submission Process).

Discrepancies

Any discrepancies between Pacific Union Financial registration and lock-in confirmation must be brought to Pacific Union Financial’s attention within the same day.

Lock Policy

Lock Request

Submit a completed lock request on FLOW or email the lock form to the lock department for processing. The lock department will issue a lock confirmation. An incomplete lock request will be rejected. Lock requests faxed to an unauthorized fax number may not be received or processed; we cannot be responsible for faxing errors. All lock requests must be received in our office prior to the posted cut-off time on the rate sheet. We will not honor any lock requests received after hours for any reason. In regards to a lock received with incorrect pricing, we will do our best to contact the Seller to correct pricing. However, if we are unable to contact someone and confirm pricing the lock will be rejected. We cannot hold onto any locks; a decision will have to be made regarding the lock either by the Seller or Pacific Union Financial at the time of receipt of the lock request or contact.

Lock Level Authority

Sellers must obtain pre-lock authority level, which can be obtained by closing 8 of 10 locks, or 6 of 6 while doing business with Pacific Union Financial. Prior to this authority, loans can only be locked once the appraisal and DO/DU/Total Score card have been emailed to your Correspondent Account Executive.

Lock Periods

Lock periods and expiration dates are posted on the rate sheet and on the lock confirmation. The expiration date posted on the lock confirmation is the last day to deliver a complete closed file.

Lock Amounts

The maximum daily amount a Seller may lock is \$1 million dollars, unless otherwise noted on the Correspondents' approval letter. A Seller may request in writing to exceed the daily 1 million dollar maximum. Pacific Union Financial will consider each request carefully and respond in a reasonable amount of time.

Lock Corrections and Substitutions

All lock corrections must be performed within the same day locked. Corrections consisting of social security numbers or property addresses are not allowed after the close of business on the day the loan is locked. Any corrections made after the day a loan is locked will be subject to Re-Lock Policy.

Extensions

We offer extensions at either a 7-day for a 10 bps cost or a 15-day for a 25 bps cost, only if the lock has not expired. A Seller may only choose one of the options. A granted lock extension will be extended from the expiration date.

Pricing will be adjusted accordingly or granted extensions and a new confirmation will be sent to the Seller or it will be reflected on the Purchase Advice. Any loan received after the commitment expires is subject to Re-Lock Policy as extensions are only for loans that have not expired. All lock extensions must be submitted via fax. Verbal extensions are not acceptable. Please submit your lock extension before the lock desk closes at 4:00 PM PST.

Re-Locks

Re-locks are available on a worst case basis. All locks within 60-days of expiration date are subject to the Re-Lock Policy. A comparison of the original rate and price is analyzed to current market rate and price; the worst of the two prices now becomes the Correspondent Sellers current price. The Re-Lock period is typically for 15 days, however additional days maybe purchased – refer to the rate sheet for the additional difference in price. The number of days in the lock period may reflect more than the amount of days requested. We will adjust the number of days to reflect the correct expiration date. Whole loans or notes delivered after the lock expiration are subject to the Re-Lock policy.

New Lock Commitment After 60-days

A new lock commitment may be requested 60-days after the expiration date of the previous lock request. New lock commitments use current market pricing and lock periods posted on the rate sheet. All new lock commitments must be submitted via fax to the Lock Desk before posted lock cut-off time. Confirmations will be faxed to the Seller as the lock is processed. This is not a duplicate lock or a duplicate registration, as the file has a loan number associated with it from the previous lock.

Funded Loan

Once the loan is funded, the lock becomes a mandatory lock and is subject to pair-off fees.

Underwriting Guidelines

Pacific Union Financial primarily follows the standards and guidelines of Fannie Mae and Fannie Mae's Guidelines for Desktop Underwriter or FHA and the FHA Total Scorecard. However Pacific Union Financial, LLC may apply certain overlays based on market conditions.

PUF Correspondent will refer to Fannie Mae Seller Guides for all conventional underwrites with the following overlays:

- ✓ Max LTV 80% unless DU Refi Plus
- ✓ No Homepath
- ✓ No Texas Cash out

PUF Correspondent will refer all FHA files to follow HUD Reference Guide 4155 with the following overlays:

- ✓ No 203K loans
- ✓ No Manufactured / mobile homes
- ✓ No Reverse Mortgages
- ✓ No test cases

In all cases, files submitted to Pacific Union Financial should be investment quality and saleable on the secondary market. Sellers are expected to prudently underwrite all loans and ensure the file contains adequate documentation to support information represented in the borrower(s) application and data elements entered into automated underwriting systems.

Pacific Union Financial's credit and eligibility overlays can be found within the matrix section of this manual. From time to time Pacific Union Financial may issue Lender Announcements to handle temporary changes or changes that may go into affect before this manual can be updated.

Requirement for all Files

- 1. An Interthinx Fraudguard must be present in all files with all red-flags addressed and cleared.**
- 2. In the event the Appraisal Value isn't supported with acceptable comps and/or AVM, the lender must provide an Enhanced Desk Review from Settlement One.**
- 3. All Files require 4506 transcripts**

Pacific Union Financial is not affiliated with or an agent for Settlement One. However, using this approved vendor will allow your file to be approved without additional QC reviews performed by Pacific Union Financial, LLC and additional cost.

Prepayment Penalties

Are not allowed

Escrow Holdbacks

Not allowed

Property Restrictions - General

Florida & Nevada Condominiums – Are not allowed

Exclusionary Lists

Pacific Union Financial does not publish an exclusionary list, so early delivery of the completed credit and subsequent legal package will allow time to notify the Seller if there is a party to the transaction deemed unacceptable. Pacific Union Financial reserves the right to exclude a closing agent at any time during a transaction.

Mortgage Programs

Each of these product matrixes can be found in PDF Format in the Exhibit Section of this Manual. The following outlines the general product credit and eligibility guidelines. Sellers are again reminded they must follow the applicable underwriting and collateral guidelines set forth by Fannie Mae or HUD.

- FHA Portfolio Product
- 5-10 Financed Properties – Fannie Mae
- DU REFI Plus – Fannie Mae

FHA PORTFOLIO PRODUCT**DU Approved/Eligible or Total Score Card Accept is Required*****PRICING***

See Portfolio Pricing Sheet / Matrix

OVERLAYS: The following overlays only apply to FICO's < 620
Minimum FICO 560

CREDIT

All Borrowers must have traditional credit and at least 1 valid credit score
Short Sales: Min 3 year lapsed time required.

DTI

- _ 50% Borrower Contributing 100% towards minimum investment requirement
- _ 45% Borrower using gift funds to meet the minimum investment requirement
- _ 45% when Payment Shock exceeds 65% of current housing payment
- _ 45% For First Time Home Buyers with no housing payment history

RESERVES

- _ 2 Months Reserves: FICO 600 - 619
- _ 4 Months Reserves: FICO 580 - 599

CO- BORROWER:

- _ 2 Months Reserves: Both principal residence and subject FICO's 600 - 619
- _ 6 Months Reserves: Both principal residence and subject FICO's < 600

PROPERTY RESTRICTIONS

- _ Approved FHA Condos only. New condo approvals will not be accepted
- _ No 3-4 Unit Properties except rate and term refinances
- _ No First Time Homebuyer MFR's Units
- _ No Flips where seller has been on title less than 6 months allowed.

CASH OUT

- _Maximum 80% LTV with Field Review

5-10 FINANCED PROPERTIES – Fannie Mae Conventional

LTV / CLTV MATRIX

Trans Type	Occupancy	Units	LTV	CLTV	FICO
Purchase	Second Home or Investment	1 Unit	75%	75%	720
Rate & Term	Investment	1 Unit	70%	70%	720
Purchase or Rate & Term	Investment	2-4 Units	70%	70%	720

CREDIT & ELIGIBILITY OVERLAYS:

Eligibility Overlays

- _ High Balance mortgage loans are subject to Fannie Mae's high balance LTV/ CLTV & Credit Score requirements.
- _ Rental Income must be supported by two years most recent signed federal tax returns.

Credit Overlays

- _ No Bankruptcy within last seven years.
- _ 0 x 30 last 12 months on all mortgages .

Reserves

- _ Second Home: Per DU plus 6 months for all other Second Homes & Investment properties.

_ Investment Property: Per DU plus 6 months for all other Second Homes & Investment Properties.

Appraisal Overlay

_ Form 1007 AND 216 required for all 1 unit investment properties

Income Overlay

_ 4506T 2 years 1040's required regardless of DU. Most restrictive requirements will apply.

_ 4506T Request of Transcript of Tax Return for 2 years.

Condo & PUD Overlays

_ No New Projects or New Conversions - all projects must be established.

_ Fannie Approved Condo's without expired 1028 or CPM Approval only.

DU REFI PLUS HIGH LTV – Fannie Mae Conventional

LTV / CLTV MATRIX

OCCUPANCY	UNITS	LTV	CLTV	FICO
PRIMARY	1-4 UNITS	125	UNLIMITED	ANY
SECOND	1 UNIT	125	UNLIMITED	ANY
INVESTMENT	1-4 UNITS	125	UNLIMITED	ANY

**Loans must receive an Approved/Eligible Decision through DU®
Temporary Interest Rate Buy-downs are not allowed.**

Credit Overlays

_At least 1 credit score required.

_For loans with FICO Scores <600 a 12 Month 0 x 30 Mortgage History is required

Appraisal Overlay

_All investment properties require an interior/exterior inspection.

Loan Delivery

Pacific Union Financial accepts loans for purchase from approved Correspondent Sellers within the guidelines of this manual, updates, announcements and Correspondent Loan Purchase Agreement executed by both parties. All loans must be delivered within the requirements in this manual and will be reviewed for purchase. In the event closing issues arise which are not addressed in this manual, please contact Pacific Union Financial for assistance.

Delivery instructions:

Pacific Union Financial uses an online secure upload system. All loans must be delivered via this system.

Closing Documents

All closing documents must be error-free. Seller must use mortgage loan documents that comply with all the requirements of the applicable mortgage loan program as well as all applicable Federal, State and Local Laws and regulations. Use the most current Fannie Mae/FHA Note and security instruments, including all applicable riders and addendums. Pacific Union Financial will not purchase any mortgage loan that was originated or closed with documents that are not specifically authorized in this Manual or approved by Pacific Union Financial.

Corrections to Documents

No WHITE OUT or corrective covering are allowed. Only a strikeout that is initialed by each borrower may be used to correct an error.

Signature Requirements

The names and signatures of each borrower must be consistent on all closing documents and must correspond to the names appearing in the Title Policy. The names must be inked (preferably in blue ink) exactly as they are typed on the documents. Each borrower must sign directly above his/her typed name in the signature portion of each document. A borrower may over sign but not undersign.

Notary

The notary signature must be on the line provided for the notary. The notary must comply with all applicable state laws, and the notary license must be current. The notary seal must be prominently displayed and the expiration date must be visible. Notary stamp must be legible.

Note Endorsement

The Note must be endorsed to Pacific Union Financial, LLC and signed by an authorized Officer of the Company. Please type or stamp the back of the note with the endorsement so that it will not be damaged or smeared.

Sample endorsement format:

PAY TO THE ORDER OF:
Pacific Union Financial, LLC
WITHOUT RECOURSE

By (Signature of Officer)
(Name of Seller)
(Officer's name and title)

If the endorsement is missing an Allonge to Mortgage Note will be required. The Allonge must contain the loan number, loan amount, borrowers' names, subject property address, date of note and signed by an authorized officer of the company.

Mortgage Insurance – Premium Payments and Application

It is the Seller's responsibility to remit the UFMIP to FHA within 7 days of closing. Pacific Union Financial requires documented evidence of payment with the closing package or the MIP fee will be deducted on the purchase advice.

Pacific Union requires a copy of the completed Mortgage Insurance Application in the file prior to purchase. The Seller is responsible for payment of the monthly MIP, from the initial MIP payment through the month that Pacific Union Financial purchases the loan. If the mortgage loan is purchased prior to the first payment due date, Pacific Union Financial will be responsible for all monthly MIP payments on the mortgage loan.

Transfer Servicing

With respect to mortgage loans sold to Pacific Union Financial Servicing Released, Seller must immediately notify (within 5-days) each borrower and applicable insurer of the sale of the mortgage loan to Pacific Union Financial. All disclosure and notification to the borrowers must meet current applicable Federal, State, Local and regulatory law requirements.

It will be the Seller's responsibility to collect any payments due prior to the loan purchase by Pacific Union Financial providing that the loan is purchased before the 15th of the month. Loans purchased on or between the 1st - 14th of the month Pacific Union Financial will collect the first payment.

The transfer of servicing date is essentially the same day as the purchase date. Pacific Union Financial will also send a "Welcome" letter and monthly "payment coupon" to all borrowers after purchase. Any payments received by the borrower after the transfer of servicing must be sent to Pacific Union Financial immediately.

Loans purchased on or after the 15th of the month, will require the Seller to collect the first payment. Pacific Union Financial will purchase on the remaining unpaid principal balance (UPB) on the loan. We will adjust the principal loan balance by any and all principal reduction payments and reflect the UPB in the purchase advice.

Seller is responsible for reporting all interest collected to the borrower(s).

Any payments received by the borrower after the transfer of servicing must be sent to PACIFIC UNION FINANCIAL immediately:

Pacific Union Financial, LLC ISAOA/ATIMA

P.O. Box 7168

Pasadena, CA 91109-7168

FHA Holder / Servicer Transfer

Seller is responsible for Mortgage Record Change to Pacific Union Financial in FHA Connection. To report servicer/holder transfer seller must log in to FHA Connection to complete transfer. To get to the Mortgage Record Changes menu, sign on to the

FHA Connection site and follow this menu path: Single Family FHA>Single Family Servicing>Mortgage Record Changes.

On the “Mortgage Record Changes” menu, click Servicer/Holder Transfer (HUD form 92080). The servicer/holder page appears. FHA Case using this format “123-4567890”, including the dash. Enter original mortgage amount including UFMIP, do not enter \$ sign or comma. Enter the first 5 digits of Pacific Union Financial Seller ID of 25883 into Holding Mortgagee and New Servicing Mortgagee field. Enter date of transfer.

Interest Credit at Closing

Mortgage loans with interest credit of 5-days posted on the HUD-1 will be acceptable, any more than that will not be purchased.

Owner Occupancy Agreement

An owner occupancy agreement is required on all mortgage loans where the borrower(s) are going to reside in the property. Generally, the borrower(s) must occupy the property within 60 days of close and at all time thereafter for a minimum of one year.

Satisfaction of Underwriting Conditions

All underwriting conditions, prior-to-close and at-closing must be satisfied. Reasonable evidence that such conditions have been satisfied must be submitted with the closing documents, numbering each condition as noted on the mortgage loan approval issued by the underwriter is highly recommended.

Power of Attorney

Closing documents may be executed via a Specific Power of Attorney (POA) that complies with all applicable laws, provided the following conditions are met. The POA can be used for closing documents only, and is not acceptable for application or credit verification purposes.

Authorization is for the attorney-in-fact to perform specific functions related to the real estate financing or it must be specific to the subject property. The attorney-in-fact may not have any direct or indirect financial interest in the transaction. A statement is provided that the POA is in full force and effect on the date of the closing of the subject loan transaction, survives subsequent disability (durable), and has to be revoked in writing, or a specific expiration date is given which survives the closing date.

A statement is made of the grantor’s (borrower’s) name exactly as it will appear on all closing documents. Notarized signature of grantor appears (if executed outside the U.S.). It must be notarized at a U.S. Embassy or a military installation.

Recorder’s stamp appears, if previously recorded. The POA must be dated no more than 120 days prior to the loan closing date.

At least one borrower must be present at closing, unless a face-to-face interview has been conducted on all applicants.

The attorney-in-fact must execute all closing documents at settlement. The Title Company must insure Seller is in first lien position without exception to the POA. The POA must be recorded immediately prior to the closing documents.

A single borrower (one loan applicant) may execute a POA as long as a face-to-face interview has been conducted and the borrower signed the loan application along with the disclosures.

Signature requirements for a POA (no exceptions):

Sign the borrower name, POA signature underneath with the following verbiage “as attorney in fact”. (John Doe by Mary Doe, as attorney in fact).

In the case of Initials, we ask for the following (no exceptions):

Initial the borrower’s initials, POA initial underneath with the following verbiage “as attorney in fact”. (JD by MD, as attorney in fact).

Escrow Payments

The origination, servicing and collection practices with respect to the mortgage loan have been in all material respects in accordance with accepted mortgage servicing practices of prudent lending institutions, applicable laws and regulations, and have been in all material respects legal and proper. With respect to escrow deposits and escrow payments, all such payments are in the possession of Seller and there exist no deficiencies in connection therewith for which customary arrangements for repayment thereof have not been made. All escrow payments have been collected in full compliance with state and federal law and the provisions of the related mortgage note and mortgage. An escrow of funds is not prohibited by applicable law and has been established in an amount sufficient to pay for every item that remains unpaid and has been assessed but is not yet due and payable. No escrow deposits or escrow payments or other charges or payments due the Seller have been capitalized under the mortgage or the mortgage note. Any interest required to be paid pursuant to state, federal and local law has been properly paid and credited.

Real Estate Taxes

Pacific Union Financial will charge a Tax Service Fee on each loan purchased. On loans sold to Pacific Union Financial the following tax payment rules apply:

All payment of real property taxes and special or supplemental assessments must be current prior to closing the mortgage loan. Adequate escrow funds, when required, must be collected in compliance with all applicable laws to ensure the payment in full of real estate taxes and of all other taxes and assessments by the due date.

Seller must pay any unpaid taxes that will become due within 60 days of the closing of the Mortgage Loan and shown on the HUD-1 or 30 days from the purchase date of the Mortgage Loan.

For example: California Loans - If the tax bill is due on 11/1 and the 1st payment date is 11/1, request the taxes to be paid. A good rule of thumb is any doc request or funding that is in September, October or November require that the 1st installment be paid and shown on the HUD-1.

For loans requiring Seller to pay a tax bill subsequent to the closing of the mortgage loan, but prior to the purchase of the mortgage loan by Pacific Union Financial, the mortgage loan file must include reasonable evidence that such tax bill was paid. Pacific Union Financial or its successors or assigns will pay all real estate taxes which are not the responsibility of Seller as described in the preceding paragraphs. Seller will be responsible for all tax penalties incurred by Pacific Union Financial arising out of the delinquent payment of real estate taxes due. Seller must pay Pacific Union Financial within 30 days of the purchase of the applicable mortgage loan, if such delinquency was caused by delays in procuring the available tax bills from the tax authorities. For mortgage loans with delinquent taxes prior to the purchase of the loan by Pacific Union Financial, Seller must provide reasonable evidence that such taxes, together with any applicable penalties, have been paid.

For mortgage loans with delinquent taxes, the verified tax amount will be deducted from the tax escrow balance at the time such balance is funded by Pacific Union Financial. Seller will be responsible for all penalties and handling charges arising out of Seller's failure to comply with this Manual. Seller shall pay such penalties and charges within 30 days of receipt of an invoice from Pacific Union Financial.

All funds collected by Seller after the purchase of the loan by Pacific Union Financial or any third party for the purposes of paying real estate taxes must be submitted within 3 days of the purchase of the loan Pacific Union Financial. Seller will reimburse Pacific Union Financial for all tax penalties incurred because of Seller's failure to pay taxes per the guidelines stated in this Manual, within 30 days of the invoice date.

Escrow/Impound Accounts

Unless prohibited by applicable law, Seller must, pursuant to the guidelines set forth in this Section of the Manual, establish an escrow account/impound account for each mortgage loan sold to Pacific Union Financial. Seller is responsible for complying with all applicable Federal, State, and Local laws and regulations relating to the creation of escrow/impound accounts and, prior to the transfer of the escrow account to Pacific Union Financial, the maintenance thereof. The escrow/impound account must contain a two (2) month escrow cushion for all items, with the exception of mortgage insurance, for which no cushion is required to be established. Seller must comply with the appropriate state requirements when delivering loans to Pacific Union Financial.

Allowable Escrow/Impounds

The following are items that are allowed to be included in the escrow/impound account:

- Real Estate Taxes
- Hazard Insurance Premiums
- Flood Insurance Premiums
- Mortgage Insurance Premiums

Unallowable Escrow/Impound Items

The following items are not held or paid for from an escrow/impound account:

- Ground rents
- Water and sewer taxes
- Homeowner's association dues
- Fire hydrant taxes
- Refuse taxes
- Tax service fees
- Special assessments
- Hazard insurance premiums for Condo/PUD properties (only if insurance is paid by HOA).

Escrow Waiver

Seller may waive the escrow/impound account requirement on mortgage loans with loan-to-value under 80% (90% in California), but the standard escrow provision must remain in the mortgage loan documents. Pacific Union Financial does charge a fee for Escrow/Impound Waivers.

Seller's waiver of the right to collect escrow/impound funds must not impair the right of PACIFIC UNION FINANCIAL to subsequently enforce the escrow provision contained in the mortgage loan documents, in the event that the borrower fails to pay taxes, insurance, or other required items.

Bailment Requirements

When the mortgage loan being sold to Pacific Union Financial has been issued, or otherwise secures a mortgage loan made to Seller, including a warehouse line of credit, the holder of the collateral package or Seller must, in order to make any security interest or other interest in the mortgage loan effective to Pacific Union Financial, enter into a written bailment agreement with Pacific Union Financial and that satisfies the following requirements.

Requirements:

An individual bailment letter or trust receipt (in either case referred to hereinafter as the "Bailee Letter") must be delivered to Pacific Union Financial LLC on each

mortgage loan for which the warehouse bank or Seller asserts a security interest. If a Bailee Letter covers more than one mortgage loan, a copy of the Bailee Letter must be included in each applicable mortgage loan file, with the relevant information for the related mortgage loan highlighted.

The Bailee Letter must be assigned as follows:

Pacific Union Financial LLC
1990 N. California Blvd.
Suite 16
Walnut Creek, CA 94596

The Bailee Letter must clearly identify:

The Seller's name – the Lender

The Investor - Pacific Union Financial, LLC

The Seller's loan number for each loan included the bailee letter.

The name or last name of the borrower.

The principal balance of the mortgage loan.

The MERS MIN number.

Exact wiring or payment instructions.

The Bailee Letter must be attached to the Note, and delivered to Pacific Union Financial Inc. If a Bailee Letter or trust receipt is sent separately from the applicable Note, a bailment or trust arrangement is not established and a security interest in the mortgage loan is not perfected.

Be advised that incorrect delivery of a collateral package, Bailee Letter and Note will not establish an agreement and may cause a delay in purchasing the mortgage loan file.

The Bailee Letter and the Note must be delivered to Pacific Union Financial, LLC on or before the applicable delivery date.

If the collateral package provided is incomplete or inaccurate information, the bailment agreement will not be established and a delay in the funding of the related mortgage loan may result.

Collateral Package Checklist

Please send collateral documents in a manila folder and write the loan number on the outside of the folder.

- Original Note (Endorsed to Pacific Union Financial)
- Copy of DOT
- Copy of MERS registration naming Pacific Union Financial, LLC as the interim funder
- Copy of Title Commitment
- Wire Instructions
- Closing Protection Letter from closing agent
- Copy of 1003
- Page 1 and 2 of appraisal
- Purchase commitment from an approved takeout investor

Send collateral files to:
Pacific Union Financial LLC
1990 N. California Blvd.
Suite 16
Walnut Creek, CA 94596
Phone (925) 627-2745

Third Party Originated Loans (TPO Loans)

Mortgage loans originated by Seller must be properly closed in the Seller's name and in compliance with all applicable laws, rules, and regulations. Sellers who have been approved to sell Pacific Union Financial mortgage loans originated by Third-Party Sellers (TPO Loans) must make all of the representations, warranties, and covenants set forth in this Manual to the same extent as if the Seller were the originator of the mortgage loan. Seller must own the third-party originated mortgage loan as of the date such mortgage is delivered to Pacific Union Financial for purchase.

Seller must meet all eligibility criteria for Third Party Originators (TPO). (Seller must be approved by Pacific Union Financial prior to delivery of a TPO mortgage loan).

Closing File Review

Sellers are urged to submit credit packages in advance of closing and funding to ensure their loans will meet Pacific Union Financial's underwriting requirements.

Files will be reviewed by Pacific Union Financial's Correspondent Lending Department for compliance to Federal and State regulations and Underwriting Guidelines. For each loan submitted to Pacific Union Financial for purchase, Pacific Union Financial will provide Seller with a purchase decision and any conditions to be cleared prior to purchase approval.

The loan review includes but not limited to the following:

- ▶ Verification of all data that was submitted for each loan.
- ▶ Loan's compliance with the applicable underwriting & product eligibility.
- ▶ Review of Executed 4506T and Borrowers Tax Transcripts.
- ▶ Closing package also requires Borrowers to execute another 4506T
- ▶ Confirmation of value and quality of appraisal.
- ▶ Seller's compliance with federal and state regulations.
- ▶ Verbal verification of employment including third party source confirmation.
- ▶ Review and confirmation of Closing Protection Letter and HUD-I statement.

For any loan failing to meet Pacific Union Financial's delivery requirements, the Seller will receive written notification of the defects and shall submit corrected documentation to Pacific Union Financial LLC by the applicable delivery deadline.

For loans with defects that cannot be corrected by the delivery deadline, the Seller may extend the Commitment in accordance with this Manual.

Mortgage Loan Purchase

Generally Pacific Union Financial LLC will purchase a mortgage loan offered to it in a reasonable amount of time of receipt of the mortgage loan file. To meet this commitment, Pacific Union Financial requires a mortgage loan file that is in a purchasable form. Loan submissions that are incomplete may delay the purchase of the mortgage loan.

Decline to Purchase

Pacific Union Financial LLC may, at its sole and absolute discretion, reject any mortgage loan for purchase for any reason including, but not limited to:

- Failure of the mortgage loan to meet Pacific Union Financial's published loan parameters,
- Failure of the mortgage loan to satisfy all of the applicable underwriting standards, improper documentation of the mortgage loan.
- Suspected fraud in the origination of the mortgage loan
- Any breach of any other representation, warranty, or covenant made with respect to the mortgage loan stated in this Manual.

Notification of Suspense

Pacific Union Financial LLC may, at its sole and absolute discretion, place a mortgage loan in suspense for any reason including, but not limited to:

- Failure of the mortgage loan to meet Pacific Union Financial's published loan parameters.
- Failure of the mortgage loan to satisfy all of the applicable underwriting standards.
- Improper documentation of the mortgage loan.

- Suspected fraud in the origination of the mortgage loan or any breach of any other representation, warranty, or covenant made with respect to the mortgage loan stated in this Manual.

All loans placed in suspense beyond the expiration will be subject to our one-time lock extension policy (if they qualify for an extension) or re-lock policy. Pacific Union Financial LLC may extend the lock period at a cost to the Seller, which may be deducted from the purchase wire.

Purchase Proceeds

Pacific Union Financial net funds loans based on the calculation of:

- Base price (SRPs included in base price) as noted in the Lock Confirmation
- Addition of any applicable pricing specials
- Increase or decrease for accrued interest
- Decrease for any applicable price adjustments
- Decrease for escrow accounts
- Decrease for any outstanding unpaid fees due Pacific Union Financial.
Decrease for Pacific Union Financial's Fees, such as, Tax Service, Flood Certification

Principal Balance Purchased

The principal balance of the loan on the Purchase Date will be calculated based on the effective date of the transfer of servicing or ownership as described below:

Loans purchased on or before the 14th of the month will have an effective transfer of servicing or ownership date as of the first of the month following purchase. The principal balance purchased will be the scheduled principal balance.

Loans purchased after the 14th of the month will have an effective transfer of servicing or ownership date as the first day of the second month following the month in which the mortgage loan file is purchased.

The principal balance purchased will be the scheduled principal balance minus any principal portion of such payment on or after the cutoff date noted above. The Seller will be entitled to retain the monthly payment due on the first day of the month following the month of purchase. As mentioned above a pay history will be required even after the purchase of the loan.

Accrued Interest

If Pacific Union Financial, LLC purchases a loan on or after the first day and on or prior to the 14th day of the month, Pacific Union Financial, LLC will pay the Seller accrued interest at the interest rate stated in the applicable Note, from the first day of the month of purchase through the day prior to the date of purchase (and Pacific Union Financial will be entitled to receive the monthly payment due on the first day of the month following the month of purchase). The purchase price proceeds paid by

Pacific Union Financial, LLC will be increased by an amount equal to interest accrued at the interest rate stated in the applicable Note from the first day of the month of purchase through the day prior to the date of purchase.

If Pacific Union Financial LLC purchases a loan after the 14th day and on or prior to the last day of the month, the Seller will pay PACIFIC UNION FINANCIAL, LLC accrued interest at the interest rate stated in the applicable Note, from the date of purchase through the last day of the month of purchase (and the Seller will be entitled to retain the monthly payment due on the first day of the month following the month of purchase). The purchase price proceeds paid by PACIFIC UNION FINANCIAL, LLC will be reduced by an amount equal to interest accrued at the interest rate stated in the applicable Note, from the date of purchase through the last day of the month of purchase.

Accrued interest to be paid by the Seller as described above will be calculated by multiplying the unpaid principal balance purchased by PACIFIC UNION FINANCIAL, LLC by the loan's interest rate, divided by 360, and multiplied by the applicable number of days, as described above.

Post Funding

Seller must issue all borrower notifications no less than 15 days before the effective date of the transfer of servicing duties and must:

Indicate the date on which the servicing duties are to be transferred, which shall be the same date as the date on which payments are to commence to the Servicer.

Identify the date Seller will no longer accept payments on the mortgage loan.
Identify the date on which payments are to commence to the new Servicer.

Identify the transferee of the servicing duties. Provide Seller's name, complete address, appropriate department name, and a toll-free or collect call telephone number, which the borrower(s) may call with questions.

Direct the borrower(s) to forward future payments to the servicing processing center. Notify the borrower(s) that the transfer does not affect any terms or conditions of the mortgage loan other than those related to servicing. Comply in form and content with all applicable Federal and State laws.

Final Documentation

Each loan purchased by Pacific Union Financial, LLC requires all final closing documents delivered within 270 days of the purchase of such mortgage loan. If complete documentation is not received within the 270-day period, Pacific Union Financial may require Seller to repurchase the mortgage loan. The final closing documents must include, but are not limited to:

- Original recorded mortgage and any applicable riders or addendums (or a certified copy if the original has not been returned from the applicable recording office).
- Original recorded assignment of mortgage and all original recorded intervening assignments if any (or a certified copy, if the original has not been returned from the applicable recording office).
- Original final Title Insurance policy and any required waivers, attorney's opinion, and/or applicable endorsements.
- Certified copy of the recorded POA, if applicable.

Document Delivery

The final closing documents must be delivered to Pacific Union Financial LLC via its secure online document imaging and uploading software. If for some reason the Seller is unable to use the imaging upload procedure, the files may be sent priority next day service for receipt no later than 3 business days prior to the transaction date.

Outstanding Final Documents

Pacific Union Financial has the right to charge Seller for actual costs and fees incurred in order to obtain any and all required documents that have been outstanding greater than 270 days. A late fee of \$50.00 plus any search fees along with any additional charge that may arise per document per month.

Right to Repurchase

Pacific Union Financial reserves the right to require Seller to repurchase mortgage loans with documentation outstanding for more than 270 days which results in Pacific Union Financial, LLC inability to meet its investor or custodial document delivery requirements. The repurchase price of the mortgage loan will be set forth in a letter forwarded to Seller.

Regulation C - Home Mortgage Disclosure Act (HMDA)

Sellers are required to report HMDA Information on all loans sold to Pacific Union Financial. For HMDA purposes, Pacific Union Financial is considered a Mortgage Bank

Truth-In-Lending (Reg. Z)

As part of our Loan Purchase review process, PACIFIC UNION FINANCIAL will review every final Truth-In-Lending Disclosure ("TIL") thoroughly for proper and accurate disclosure of the finance charge and annual percentage rate.

The tolerance levels are as follows:

Acceptable: (no more than \$100 understated tolerance)

The Finance Charge is understated by no more than \$100 or the APR is understated no more than an .125%. However, both can be overstated.

The TIL is not acceptable if it is understated more than \$100 tolerance

The Finance Charge is understated by more than \$100 or the APR is understated by more than an .125%.

The TIL review consist of but not limited to the standards of the business practices Pacific Union Financial has implemented based on our interpretation of the Truth-In-Lending Act and Regulation Z. Fees and charges included in the finance charge calculations for quality assurance purposes.

Aggregate Escrow Analysis

We expect all aggregate escrow analysis and all initial escrow account disclosure statements to be calculated and prepared in full compliance with the requirements of RESPA and all relevant state law.

Fee List

Pacific Union Financial Correspondent Lending Fees

Funding/Underwriting Fee		\$395.00
Tax Service Fee		\$61.00
4506T	1st year	\$7.25
	Each additional year	\$2.25
Freddie Mac – HVE (If not included with file submission)		\$12.50
FNMA accepted Life of Loan Flood Cert (If not included with file submission)		\$11.00
SSA-89 (if DU requires) (plus SSA fee)		\$3.00
Fraud Guard Interthinx (If not included with file submission)		\$35.00