



Flanagan State Bank Application Checklist for Delegated Correspondent

- Application (**included in this package**)
- Delegated Agreement/Contract (**included in this package**)
- Company formation information
- Board Resolution (**included in this package, please choose the one best suited to your business profile**)
- Audited Financials for most recent 2 years or check here to use Call Report
- Resume of Experience for Key Staff, Owners, Principals and Officers
- States Licenses and Current NMLS for all staff involved in mortgage loans and Owners, Principals and Officers, as applicable
- Evidence of Errors and Omissions Insurance
- Fidelity Bond Coverage
- D & O Insurance (**Bank to provide – must have yearly if closing refinances in house**)
- Limited Liability Coverage
- Company Policies for:
 - Fair Lending Policy
 - Appraisal Independence Policy & Procedures
 - Anti-Money Laundering Policy & Procedures
 - Customer Identification Policy
 - OFAC Policy & Procedures
 - Origination Personnel Hiring Policy and Procedures
 - UDAAP (Unfair Deceptive Acts and Practices) Policy & Procedures
- FHA Approval Letter
- VA Approval Letter
- USDA Approval Letter
- IRS Form W-9
- Investor Score Cards from all current investors
- Evidence of FACT Act Compliance
- Warehouse Lender information, if applicable
- QC reports with Management Response from previous 3 months
- QC Company contact information – 3rd party firm
- Copy of Bailee Letter (Optional)
- Production numbers for the last two years and YTD production numbers broker out by product
- Wiring Instructions
- Repurchase/Indemnifications within the last 24 months by an investor

Our company will be applying for the following:

Delegated Correspondent for these programs: USDA Conventional VA FHA
Correspondent for these programs: USDA Conventional VA FHA

LIMITED POWER OF ATTORNEY

Know all persons that be these presents, that the undersigned does make and constitute and appoint the Flanagan State Bank, its true and lawful attorney for it and in its name, place and stead, for its use and benefit, to execute, acknowledge, deliver and, as applicable, record escrow instructions, deeds, leases, assignments of leases, covenants, agreements and assignments of agreements, mortgages and assignments of mortgages, conveyances in trust, to secure indebtedness and other obligations, and assign the beneficial interest hereunder, subordinations of leins or encumbrances, bills or lading, receipts, evidences of debt, releases bonds, notes, bills, and requests to reconvey deeds of trust, partial or full judgements, satisfactions or mortgages, and other debts, and other written instruments of whatever kind and nature, all upon terms and conditions as said attorney shall approve; prodived, however, that Flanagan State Bank shall act hereunder solely within its authority under, and in furtherance of purpose of, that certain Loan Purchase Agreement and that certain Processing Agreement, both dated_____.

SELLER:_____

BY:_____

ITS:_____

SIGNATURE:_____

FLANAGAN STATE BANK

BY:_____

ITS:_____

SIGNATURE:_____

WHOLESALE/CORRESPONDENT APPLICATION

Account Executive:

Josh Heinrich Other: _____

CLIENT INFORMATION

| | |
|--|-------------------|
| Full Business Name: | NMLS: |
| Address: | |
| City: | State: Zip: |
| Phone Number: | Fax: |
| Primary Contact(s): | Email: |
| Type of Ownership: <input type="radio"/> S Corporation <input type="checkbox"/> C Corporation <input type="radio"/> Partnership <input type="radio"/> Sole Proprietorship <input type="radio"/> LLC (please complete the appropriate resolution in our packet. Only ONE will apply) | |
| Agency Approval: <input type="radio"/> FNMA <input type="radio"/> FHLMC <input type="radio"/> FHA # <input type="radio"/> VA # | |
| Tax ID Number: | |
| Date of Incorporation: | Fiscal Year End: |
| HUD Approved: YES or NO | |
| HUD Approved in which state(s): | |
| Warehouse Lender: | Line of Credit \$ |
| Number/Location of Branch(es): | |
| States Where Licensed to Do Business: | |
| PARENT COMPANY (IF APPLICABLE) | |
| Company Name: | |
| Address: | |
| City/State/Zip: | |
| Company's Primary Business: | |

| PRINCIPAL OWNERS/OFFICERS | | | | | |
|---------------------------|-------|-------------|-------|---------------|------|
| Name | Title | % Ownership | Years | Date of Birth | SSN* |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

**Financial Institutions please note that DOB and SSN are not required. SSN are used to obtain a business MARI report. We do not pull credit.*

| PRODUCT VOLUME | | | |
|---|--|-------------------------|-----------------------------|
| Year | FHA/VA | Conventional Conforming | Conventional Non-Conforming |
| Past Year 20_____ | \$: | | |
| | # Units: | | |
| Past Year 20_____ | \$: | | |
| | # Units: | | |
| REFERENCES | | | |
| Wholesale Lender | Contact | Telephone | |
| | | | |
| | | | |
| | | | |
| <input type="radio"/> YES <input type="radio"/> NO | Has your Company ever been denied an application to do business with any Investor and/or MI company? | | |
| <input type="radio"/> YES <input type="radio"/> NO | Has your Company ever been suspended or terminated by any Investor and/or MI Company? | | |
| <input type="radio"/> YES <input type="radio"/> NO | Has any officer of your Company been involved in a lawsuit pertaining to the obligation, sale or servicing of mortgage loans in the last five years? | | |
| <input type="radio"/> YES <input type="radio"/> NO | Has any officer or employee of your Company ever been listed on any agency exclusionary list? | | |
| <input type="radio"/> YES <input type="radio"/> NO | Does your Company have an affiliated relationship with any settlement service, such as title company, reality business, etc.? | | |
| Please list the name(s) of all Settlement Agents, such as title company, realty business; that typically perform your closings. | | | |
| If you answered YES to any of the above questions, please explain. Attach a separate sheet if necessary. | | | |

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement is made this _____ day of _____, 20____, by and between _____ and each of its divisions and/or affiliates (“Originator”) and Flanagan State Bank (“Lender”). The Originator and Lender hereby agree as follows:

The Lender agrees that all disclosures embodying business affairs and activities, including but not limited to the identification of customers and suppliers, financial information pertaining to the Originator or its customers, business plans and all documents and things related to the Originator’s business and activities (hereinafter referred to collectively as “Confidential Information”) are and remain the sole and exclusive property of the Originator.

The Lender agrees that all disclosures embodying and/or relating to any computer software, systems and related documentation (hereinafter referred to collectively as “Proprietary Information”) are the proprietary property of the Originator either by the way of ownership or license agreements with third parties, and that said Proprietary Information is not publicly known or available from other sources and is presently being maintained and disclosed by the Originator in the strictest of confidence.

The Lender agrees that it will not, without the Originator’s express written consent, disclose or use any Confidential or Proprietary Information at any time either prior, during, or subsequent to the engagement and rendering of the Services, regardless of whether or not Lender participated in the design and development thereof. The Lender agrees that it will not copy, duplicate or permit anyone else to copy or duplicate, either in whole or in part, and documentation, storage media such as tapes and disks or other things relating to Confidential or Proprietary Information. Upon termination of Lender’s services for the Originator for any reason, any copies and/or originals of material containing Confidential or Proprietary Information shall be immediately returned, subject to the Originator’s direction.

The Lender agrees that any unauthorized disclosure by Lender, Lender’s Staff and/or its agents and employees, of any Confidential or Proprietary Information shall cause irreparable injury to the Originator and that, therefore, the Originator shall be entitled to injunctive relief in addition to any other remedies that may be available at law or in equity, in the event Lender breaches any of its duties and/or obligation under this Agreement. The Lender further agrees to pay all of the Originator’s attorney’s fees and related costs arising out of any breach of this Agreement. The Originator further agrees to pay all the Lender’s attorney’s fees and related costs arising out of any breach of this Agreement.

This Confidentiality Agreement may not be modified, amended, or waived in any manner except in writing, executed by both parties. Failure of the Originator or the Lender to enforce rights hereunder shall not be a deemed waiver. Should any provision(s) be ruled invalid by applicable legal authority, such provisions shall be deemed omitted and the remaining terms of the Agreement remain in full force and effect. This Agreement shall be governed by and construed in accordance of the Laws of the State of Illinois.

ORIGINATOR

FLANAGAN STATE BANK

By: _____
(Signature)

By: _____
(Signature)

Name: _____
(Printed)

Name: _____
(Printed)

Title: _____

Title: _____

Date: _____

Date: _____

Mortgage Loan
Purchase and Sale Agreement

Table of Contents

| | |
|---|----|
| RECITALS: | 1 |
| SECTION 1. DEFINITIONS | 1 |
| SECTION 2. AGREEMENT TO PURCHASE; DELIVERY AND EXAMINATION; CONVEYANCE FROM SELLER TO PURCHASER. | 1 |
| SECTION 3. PRICING. | 2 |
| SECTION 4. SERVICING OF THE MORTGAGE LOANS. | 3 |
| SECTION 5. TRANSFER OF SERVICING. | 3 |
| SECTION 6. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF PARTIES. | 5 |
| SECTION 7. REPRESENTATIONS AND WARRANTIES REGARDING INDIVIDUAL LOANS. | 7 |
| SECTION 8. REMEDIES FOR BREACH OF REPRESENTATIONS AND WARRANTIES; ADDITIONAL REPURCHASE OBLIGATIONS; RECAPTURE. | 14 |
| SECTION 9. INDEMNIFICATION. | 18 |
| SECTION 10. CLOSING. | 18 |
| SECTION 11. COSTS. | 19 |
| SECTION 12. PROTECTION OF CONFIDENTIAL INFORMATION. | 19 |
| SECTION 13. NOTICES. | 20 |
| SECTION 14. ENTIRE AGREEMENT; SEVERABILITY CLAUSE. | 20 |
| SECTION 15. COUNTERPARTS. | 20 |
| SECTION 16. PLACE OF DELIVERY AND GOVERNING LAW. | 20 |
| SECTION 17. FURTHER AGREEMENTS; ASSURANCES. | 20 |
| SECTION 18. INTENTION OF THE PARTIES. | 21 |
| SECTION 19. SUCCESSORS AND ASSIGNS; ASSIGNMENT OF PURCHASE AGREEMENT. | 21 |
| SECTION 20. WAIVERS; OTHER AGREEMENTS; AMENDMENTS. | 21 |
| SECTION 21. EXHIBITS. | 21 |
| SECTION 22. GENERAL INTERPRETIVE PRINCIPLES. | 21 |
| SECTION 23. REPRODUCTION OF DOCUMENTS. | 22 |
| SECTION 24. RECORDATION OF ASSIGNMENTS OF MORTGAGE. | 22 |
| SECTION 25. RECONSTITUTION. | 22 |
| SECTION 26. DOCUMENTS MUTUALLY DRAFTED. | 22 |
| SECTION 27. NON-SOLICITATION BY SELLER OF PURCHASER'S EMPLOYEES. | 23 |
| SECTION 28. WAIVER OF JURY TRIAL. | 23 |
| SECTION 29. TERMINATION. | 24 |

EXHIBITS: 25
EXHIBIT A - DEFINITIONS 25
EXHIBIT B - CONTENTS OF EACH MORTGAGE FILE..... 29
EXHIBIT C – FORMAT OF TRADE CONFIRMATION..... 31

This Mortgage Loan Purchase and Sale Agreement (the "Agreement") dated this ____ day of _____, 2014, is by and between **Flanagan State Bank** (the "Purchaser") and _____ (the "Seller").

RECITALS:

WHEREAS, Seller originates, closes and funds residential, one-to-four family mortgage loans; and

WHEREAS, Purchaser is a secondary market purchaser of residential mortgage loans; and

WHEREAS, from time to time, the Seller desires to sell to the Purchaser, and, from time to time, the Purchaser desires to purchase from the Seller, certain agency-quality conventional and FHA-insured residential mortgage loans on a servicing released basis as described herein, which shall be delivered by Seller to Purchaser as whole loans;

NOW, THEREFORE, in consideration of the premises and mutual agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Purchaser and the Seller agree as follows:

SECTION 1. DEFINITIONS.

All capitalized terms used in this Agreement shall have the meanings set forth in Exhibit A hereto or as otherwise defined herein.

SECTION 2. AGREEMENT TO PURCHASE; DELIVERY AND EXAMINATION; CONVEYANCE FROM SELLER TO PURCHASER.

(a) Agreement to Purchase. The Seller agrees to sell and the Purchaser agrees to purchase the Mortgage Loans, on a servicing released basis, having an aggregate principal balance on the Cut-off Date in an amount as set forth in the Trade Confirmation, or in such other amount as agreed upon by the Purchaser and the Seller as evidenced by the actual aggregate principal balance of the Mortgage Loans accepted by the Purchaser on the Purchase Date. The obligation of the Purchaser to purchase any Mortgage Loan from the Seller on the Purchase Date shall be subject to the satisfaction of the conditions precedent to the Purchaser's obligation to purchase set forth in Section 10.

(b) Delivery and Examination of Mortgage Loan Documents. On or prior to the date that is three (3) Business Days prior to the Purchase Date, the Seller shall deliver to the Purchaser or the Purchaser's designee in escrow, for examination with respect to each Mortgage Loan to be purchased on the Purchase Date, the related Mortgage File, including the Assignment of Mortgage, pertaining to each Mortgage Loan. If the Purchaser makes such examination prior to the Purchase Date and identifies any Mortgage Loans that do not conform to the terms of the Trade Confirmation, the Seller's Guide or the Seller's approved underwriting standards, such Mortgage Loans may, in the sole discretion of the Purchaser, be rejected for purchase by the Purchaser. Each purchase of Mortgage Loans is further subject to the completion of confirmatory due diligence and (i) the reasonable determination by the Purchaser that the books, records and accounts of the Seller with respect to each Mortgage Loan are in order, (ii) the verification by the Purchaser that the Mortgage Loan purchase information, the servicing records and all other information provided by the Seller is substantially correct and consistent with the transaction information received from the Seller and the requirements of this Agreement, and (iii) the reasonable determination by the Purchaser that the Seller is capable of making the representations, warranties and covenants with respect to itself, the Mortgage Loans and Servicing Rights in this Agreement. If not purchased by the Purchaser, such Mortgage Loans shall be deleted from the Mortgage Loan Schedule. The Purchaser may, at its option and without notice to the Seller, purchase all or part of the Mortgage Loans without conducting any partial or complete examination. The fact that the Purchaser has conducted or has determined not to conduct any partial or complete examination of the Mortgage Files shall not affect the Purchaser's (or any of its successors') rights to demand repurchase or other relief or remedy

provided for in this Agreement.

(c) Conveyance of Loans. The Seller, simultaneously with the payment of the Purchase Price, does hereby sell, transfer, assign, set over and convey to the Purchaser, but subject to the terms of this Agreement, all right, title and interest of the Seller in and to the Mortgage Loans listed on the Mortgage Loan Schedule, including all Servicing Rights associated therewith. Pursuant to Subsection 2(b) of this Agreement, the Seller has delivered to the Custodian the documents for each Mortgage Loan to be purchased as set forth in this Agreement. The Seller shall be responsible for maintaining, and shall maintain, a complete set of books and records for the Mortgage Loans. Such books and records, together with the Servicing File retained by the Seller with respect to each Mortgage Loan pursuant to this Agreement, shall be appropriately identified in the Seller's computer system to reflect clearly the sale of such related Mortgage Loan to the Purchaser and the ownership thereof by the Purchaser.

In addition, in connection with the assignment of any MERS Loan, the Seller agrees that no later than three (3) Business Days after the Purchase Date it will cause, at its own expense, the MERS® System to indicate that interests in the related Mortgage Loans have been transferred by the Seller to the Purchaser in accordance with this Agreement by including in such computer files the information required by the MERS® System to identify the Purchaser as owner of such Mortgage Loans. The Seller acknowledges and agrees that it is in good standing with MERS, and will comply in all material respects with the rules and procedures of MERS in connection with the servicing of the MERS Loans for as long as such Mortgage Loans are registered with MERS. With respect to the Mortgage and intervening Assignments of Mortgage related to any MERS Loan, the Seller shall provide the Purchaser with the original Mortgage with evidence of registration with MERS and, as applicable, the originals of all intervening Assignments of Mortgage with evidence of recording thereon prior to the registration of the Mortgage Loan with the MERS® System.

(d) Books and Records. On the Purchase Date, beneficial ownership of each Mortgage and the related Mortgage Note shall be vested solely in the Purchaser. All rights arising out of the Mortgage Loans, exclusive of the Servicing Rights, including, but not limited to, all funds received by the Seller after the Cut-off Date on or in connection with a Mortgage Loan as provided in Section 3 shall be vested in the Purchaser; provided, however, that all such funds received on or in connection with a Mortgage Loan as provided in Section 3 shall be received and held by the Seller in trust for the benefit of the Purchaser or the assignee of the Purchaser, as the case may be, as the owner of the Mortgage Loans pursuant to the terms of this Agreement. It is the express intention of the parties that the transactions contemplated by this Agreement be, and be construed as, a sale of the Mortgage Loans by the Seller and not a pledge of the Mortgage Loans by the Seller to the Purchaser to secure a debt or other obligation of the Seller. Consequently, the sale of each Mortgage Loan shall be reflected as a sale on the Seller's business records, tax returns and financial statements.

SECTION 3. PRICING.

(a) Purchase Price. The Purchase Price for each Mortgage Loan listed on the Mortgage Loan Schedule shall be the Purchase Price Percentage multiplied by the Stated Principal Balance of such Mortgage Loan as of the Cut-off Date. If so provided in the Trade Confirmation, portions of the Mortgage Loans shall be priced separately.

In addition to the Purchase Price as described above, the Purchaser shall pay to the Seller, at closing, accrued interest on the Stated Principal Balance of each Mortgage Loan as of the Cut-off Date at the Net Mortgage Interest Rate from the Cut-off Date through the day prior to the related Purchase Date, both inclusive.

The Purchaser shall own and be entitled to receive with respect to each Mortgage Loan purchased, (1) all scheduled principal due after the Cut-off Date, (2) all other recoveries of principal collected after the Cut-off Date (provided, however, that all scheduled payments of principal due on or before the Cut-off Date and collected by the Seller after the Cut-off Date shall belong to the Seller), and (3) all payments of interest on the Mortgage Loans and any MI Fee (minus that portion of any such interest payment that is allocable to the period prior to the Cut-off Date). The Stated Principal Balance of each Mortgage Loan as of the Cut-off Date is determined after application to the reduction of principal of payments of principal due on or before the Cut-off Date whether or not collected. Therefore, for the purposes of this Agreement, payments of scheduled principal and interest prepaid for a Due Date beyond the Cut-off Date shall not be applied to the principal balance as of the Cut-off Date. Such prepaid amounts (minus the applicable Servicing Fee) shall be the property of the Purchaser and shall be paid over to the Purchaser.

All payments of principal and interest due on a Due Date following the Cut-off Date shall belong to the Purchaser.

Any compensation that Purchaser is to pay Seller hereunder, and any deductions therefrom, shall be determined in accordance with, and are subject to, this Agreement, the Transaction Confirmation and the Seller's Guide. All applicable terms and conditions set forth in, or established pursuant to, this Agreement, the Transaction Confirmation and the Seller's Guide must be satisfied and complied with before the Purchaser will remit any compensation to the Seller. The Purchaser may offset against any such compensation any outstanding fees or other amounts owing from the Seller to the Purchaser.

(b) Rate Sheets. The Purchaser may provide the Seller from time to time with a rate sheet setting forth interest rates, discount points, lock-in periods, and such other pricing terms as Purchaser in its sole discretion shall determine. All such pricing terms shall be based on and take into account the delivery obligations of the Seller (mandatory delivery, best efforts delivery, etc.) with regard to each particular transaction hereunder, which form of delivery obligation shall be communicated to the Seller by the Purchaser in a manner prescribed by the Purchaser. The Purchaser reserves the right to change the terms of any rate sheet at any time and without notice. The pricing and lock-in period applicable to any Mortgage Loan shall be as set forth in the rate sheet in effect at that time. The Purchaser anticipates that it will provide rate sheets to the Seller via facsimile transmission on a daily basis or in such other manner and at such other times as the Purchaser considers appropriate in its sole discretion. The Seller also shall pay to the Purchaser a purchase fee for each Mortgage Loan sold by the Seller to the Purchaser hereunder, which purchase fee shall be established by the Purchaser and communicated to the Seller in the applicable rate sheet or purchase advice or in such other manner as designated by Purchaser from time to time.

(c) Adjustment. The parties agree that the Purchase Price may be adjusted by Purchaser from time to time upon delivery of written notice to the Seller in order to reflect any material changes in the pricing of mortgage loans in the market place.

SECTION 4. SERVICING OF THE MORTGAGE LOANS.

The Mortgage Loans in each Mortgage Loan Package shall be sold by the Seller to the Purchaser on a servicing released basis. Subject to, and upon the terms and conditions of this Agreement, with respect to the Mortgage Loans in each Mortgage Loan Package, the Seller hereby sells, transfers, assigns and delivers to the Purchaser, on the related Purchase Date, the Servicing Rights. The Purchaser shall retain the Seller as the contract servicer of the Mortgage Loans for an interim period concluding on the applicable Transfer Date for no additional consideration. The Seller shall conduct such servicing in accordance with Accepted Servicing Practices and applicable law. The contents of each Servicing File required to be retained by the Seller to service the Mortgage Loans prior to the Transfer Date and thus not delivered to the Purchaser on the Purchase Date are and shall be held in trust by the Seller for the benefit of Purchaser as the owner thereof. The Seller's possession of any portion of the Servicing File is at the will of the Purchaser for the sole purpose of facilitating servicing of the related Mortgage Loan prior to the Transfer Date, and such retention and possession by the Seller shall be in a custodial capacity only. The ownership of each Mortgage Note, Mortgage, Mortgage File and Servicing File related to any Mortgage Loan listed on a Mortgage Loan Schedule attached to a Transaction Confirmation is vested in the Purchaser and the ownership of all records and documents with respect to the related Mortgage Loan prepared by or which come into the possession of the Seller shall immediately vest in the Purchaser and shall be retained and maintained, in trust, by the Seller at the will of the Purchaser in such custodial capacity only. The Servicing File retained by the Seller prior to the Transfer Date shall be segregated from the other books and records of the Seller and shall be appropriately marked to clearly reflect the sale of the related Mortgage Loan to the Purchaser.

SECTION 5. TRANSFER OF SERVICING.

With respect to each Mortgage Loan, on the related Transfer Date, the Purchaser, or its designee, shall assume all servicing responsibilities related to, and the Seller shall cease all servicing responsibilities related to, such Mortgage Loans. The related Transfer Date shall be the date specified by Purchaser by notice to Seller. On or prior to the related Transfer Date, the Seller shall, at its sole cost and expense, take such steps as may be necessary or appropriate to effectuate and evidence the transfer of the servicing of the Mortgage Loans to the Purchaser, or its designee, including but not limited to the following:

(a) Notice to Mortgagors. The Seller shall provide to the Mortgagor of each Mortgage all required mortgage servicing transfer notices including, but not limited to, a letter (commonly referred to as a “goodbye letter”) advising the Mortgagor of the transfer of the servicing of the related Mortgage Loan to the Purchaser, or its designee, in accordance with all applicable laws, including, but not limited to, the Real Estate Settlement Procedures Act; provided, however, the content and format of the letter shall have the prior approval of the Purchaser. The Seller shall provide the Purchaser with copies of all such notices no later than the related Transfer Date. The Seller shall also cooperate with the Purchaser with respect to the notice of transfer of mortgage loan required by the Helping Families Save Their Home Act of 2009, as implemented in Section 131(g) of the Truth in Lending Act.

(b) Notice to Taxing Authorities and Insurance Companies. The Seller shall transmit to the applicable tax services, taxing authorities and insurance companies (including primary mortgage insurance policy insurers and flood insurance insurers, if applicable) and/or agents, notification of the transfer of the servicing to the Purchaser, or its designee, and instructions to deliver all notices, tax bills and insurance statements, as the case may be, to the Purchaser or its designee from and after the related Transfer Date. The Seller shall provide the Purchaser with copies of all such notices no later than the related Transfer Date.

(c) Delivery of Servicing Records. The Seller shall forward to the Purchaser, or its designee, at the Seller’s cost, all servicing records and the Servicing File relating to each Mortgage Loan.

(d) Escrow Payments. The Seller shall provide the Purchaser with an accounting statement of Escrow Payments and suspense balances and loss draft balances sufficient to enable the Purchaser to reconcile the amount of such payment with the accounts of the Mortgage Loans. The Purchase Price paid by Purchaser to Seller for each Mortgage Loan shall be net of the amount of the Escrow Payments and suspense balances and loss draft balances associated with each such Mortgage Loan. Additionally, the Seller shall wire transfer to the Purchaser all other amounts received or held by the Seller in connection with the Mortgage Loans.

(e) Payoffs and Assumptions. The Seller shall provide to the Purchaser, or its designee, copies of all assumption and payoff statements generated by the Seller on the Mortgage Loans prior to the related Transfer Date.

(f) Mortgage Payments Received Prior to Related Transfer Date. Prior to the related Transfer Date, all payments received by the Seller on each Mortgage Loan shall be properly applied by the Seller to the account of the particular Mortgagor.

(g) Mortgage Payments Received After Related Transfer Date. The amount of any Monthly Payments received by the Seller during the first sixty (60) days after the related Transfer Date shall be forwarded to the Purchaser by overnight mail within one (1) Business Day following the date of receipt to the address specified on the signature page hereof or such other address as set forth in a notice pursuant to Section 13 hereof. The Seller shall notify the Purchaser of the particulars of the payment, which notification requirement shall be satisfied if the Seller forwards with its payment sufficient information to permit appropriate processing of the payment by the Purchaser. The Seller shall assume full responsibility for the necessary and appropriate legal application of Monthly Payments received by the Seller after the related Transfer Date with respect to Mortgage Loans then in foreclosure or bankruptcy; provided, for purposes of this Agreement, necessary and appropriate legal application of such Monthly Payments shall include, but not be limited to, endorsement of a Monthly Payment to the Purchaser with the particulars of the payment such as the account number, dollar amount, date received and any special Mortgagor application instructions.

(h) Misapplied Payments. Misapplied payments shall be processed as follows:

(i) All parties shall cooperate in correcting misapplication errors;

(ii) The party receiving notice of a misapplied payment occurring prior to the related Transfer Date and discovered after the related Transfer Date shall immediately notify the other party;

(iii) If a misapplied payment which occurred prior to the related Transfer Date cannot be identified and said misapplied payment has resulted in a shortage in a custodial account or escrow account, the Seller shall be liable for the amount of such shortage. The Seller shall reimburse the Purchaser for the amount of such shortage within thirty (30) days after receipt of written demand there for from the Purchaser;

(iv) If a misapplied payment which occurred prior to the related Transfer Date has created an improper Purchase Price as the result of an inaccurate outstanding principal balance, a check shall be issued to the party shorted by the improper payment application within five (5) Business Days after notice thereof by the other party; and

(v) Any check issued under the provisions of this Section 5(h) shall be accompanied by a statement indicating the corresponding Seller and/or the Purchaser Mortgage Loan identification number and an explanation of the allocation of any such payments.

(i) Books and Records. On the related Transfer Date, the books, records and accounts of the Seller with respect to the Mortgage Loans shall be in accordance with all applicable requirements of law and Accepted Servicing Practices.

(j) Reconciliation. The Seller shall, on or before the related Transfer Date, reconcile principal balances and make any appropriate monetary adjustments as may be reasonably required by the Purchaser. Any such monetary adjustments will be transferred between the Seller and the Purchaser as appropriate.

(k) IRS Forms. The Seller shall prepare and file all IRS forms 1098, 1099 and other applicable forms and reports which are required to be filed with respect to the period prior to the related Transfer Date in relation to the servicing and ownership of the Mortgage Loans. The Seller shall provide copies of such forms to the Purchaser upon request and shall reimburse the Purchaser for any costs or penalties incurred by the Purchaser due to the Seller's failure to comply with this paragraph. The Purchaser or the Purchaser's designee shall prepare and file all such reports with respect to any period commencing on or after the related Transfer Date.

SECTION 6. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF PARTIES.

A. The Seller, as a condition to the consummation of the transactions contemplated hereby, hereby makes the following representations and warranties to the Purchaser as of each Purchase Date:

(a) Due Organization and Authority. The Seller is duly organized, validly existing and in good standing under the laws of the state of its formation and has all licenses necessary to carry on its business as now being conducted and is licensed, qualified and in good standing in each state where a Mortgaged Property is located if the laws of such state require licensing or qualification in order to conduct business of the type conducted by the Seller, and in any event the Seller is in compliance with the laws of any such state to the extent necessary to ensure the enforceability of the related Mortgage Loan in accordance with the terms of this Agreement; the Seller has the full corporate power and authority to execute and deliver this Agreement and to perform in accordance herewith; the execution, delivery and performance of this Agreement (including all instruments of transfer to be delivered pursuant to this Agreement) by the Seller and the consummation of the transactions contemplated hereby have been duly and validly authorized; this Agreement evidences the valid, binding and enforceable obligation of the Seller; and all requisite corporate action has been taken by the Seller to make this Agreement valid and binding upon the Seller in accordance with its terms.

(b) Ordinary Course of Business. The consummation of the transactions contemplated by this Agreement are in the ordinary course of business of the Seller, and the transfer, assignment and conveyance of the Mortgage Notes and the Mortgages by the Seller pursuant to this Agreement are not subject to the bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction.

(c) No Conflicts. Neither the execution and delivery of this Agreement, the origination of the Mortgage Loans by the Seller, the sale of the Mortgage Loans to the Purchaser or the other transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of this Agreement by the Seller, will conflict with or result in a breach of any of the terms, conditions or provisions of the Seller's charter or by-laws or any legal restriction or any agreement or instrument to which the Seller is now a party or by which it is bound, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Seller or its property is subject, or impair the ability of the Purchaser to realize on the Mortgage Loans, or impair the value of the Mortgage Loans.

(d) Ability to Perform. The Seller does not believe, nor does it have any reason or cause to believe,

that it cannot perform each and every covenant required of the Seller under this Agreement. The Seller is solvent and the sale of the Mortgage Loans will not cause the Seller to become insolvent. The sale of the Mortgage Loans is not undertaken with the intent to hinder, delay or defraud any of the Seller's creditors.

(e) No Litigation Pending. There is no action, suit, proceeding or investigation pending or, to Seller's knowledge, threatened against the Seller that, either in any one instance or in the aggregate, is likely to result in any material adverse change in the business, operations, financial condition, properties or assets of the Seller, or in any material impairment of the right or ability of the Seller to carry on its business substantially as now conducted, or in any material liability on the part of the Seller, or which would draw into question the validity of this Agreement or the Mortgage Loans or of any action taken or to be taken in connection with the obligations of the Seller contemplated herein, or which would be likely to impair materially the ability of the Seller to perform under the terms of this Agreement.

(f) No Consent Required. No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Seller of or compliance by the Seller with this Agreement or the Mortgage Loans, the delivery of any portion of the Mortgage Files to the Purchaser or Purchaser's designee or the sale of the Mortgage Loans to the Purchaser or the consummation of the transactions contemplated by this Agreement, or if required, such approval has been obtained prior to the initial Purchase Date.

(g) Selection Process. The Mortgage Loans were not intentionally selected in a manner so as to affect adversely the interests of the Purchaser.

(h) No Untrue Information. Neither this Agreement nor any statement, report or other document furnished or to be furnished pursuant to this Agreement or in connection with the transactions contemplated hereby contains any untrue statement of material fact or omits to state a fact necessary to make the statements contained herein or therein not materially misleading.

(i) Sale Treatment. The Seller has determined that the disposition of the Mortgage Loans pursuant to this Agreement will be afforded sale treatment for accounting and tax purposes.

(j) No Commissions to Third Parties. The Seller has not dealt with any broker or agent or anyone else who might be entitled to a fee or commission in connection with this transaction other than the Purchaser.

(k) Financial Statements. The Seller has delivered to the Purchaser audited financial statements as to its last two complete fiscal years and any later quarter ended more than sixty (60) days prior to the execution of this Agreement. All such financial statements fairly present the results of operations and changes in financial position at the end of each such period of the Seller and its subsidiaries and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved, except as set forth in the notes thereto. In addition, the Seller has delivered information as to its loan gain and loss experience for the immediately preceding two-year period, in each case with respect to mortgage loans owned by it and such mortgage loans serviced for others during such period, and all such information so delivered is true and correct in all material respects. There has been no change in the business, operations, financial condition, properties or assets of the Seller since the date of the Seller's financial statements that would have a material adverse effect on its ability to perform its obligations under this Agreement. The Seller has fully and truthfully completed any forms requested by the Purchaser in a timely manner and in accordance with the provided instructions.

(l) Fair Consideration. The consideration received by the Seller upon the sale of the Mortgage Loans under this Agreement constitutes fair consideration and reasonably equivalent value for the Mortgage Loans.

(m) MERS. The Seller is a member of MERS in good standing, and will comply in all material respects with the rules and procedures of MERS in connection with the origination, transfer and servicing of any MERS Mortgage Loans for as long as such Mortgage Loans are registered with MERS.

(n) Seller's Origination. The Seller's decision to originate any mortgage loan or to deny any mortgage loan application is an independent decision based upon Seller's underwriting guidelines, and is in no way made as a result of Purchaser's decision to purchase, or not to purchase, or the price Purchaser may offer to pay for, any such mortgage loan, if originated.

B. The Purchaser, as a condition to the consummation of the transactions contemplated hereby, hereby makes the following representations and warranties to the Seller as of each Purchase Date:

(a) Due Organization and Authority. The Purchaser is duly organized, validly existing and in good standing under applicable law and has all licenses necessary to carry on its business as now being conducted; the Purchaser has the full corporate power and authority to execute and deliver this Agreement and to perform in accordance herewith; the execution, delivery and performance of this Agreement by the Purchaser and the consummation of the transactions contemplated hereby have been duly and validly authorized; this Agreement evidences the valid, binding and enforceable obligation of the Purchaser; and all requisite corporate action has been taken by the Purchaser to make this Agreement valid and binding upon the Purchaser in accordance with its terms.

(b) No Conflicts. Neither the execution and delivery of this Agreement, the acquisition of the Mortgage Loans by the Purchaser or the transactions contemplated hereby, nor the fulfillment of or compliance with the other terms and conditions of this Agreement by Purchaser, will conflict with or result in a breach of any of the terms, conditions or provisions of the Purchaser's charter or by-laws or any legal restriction or any agreement or instrument to which the Purchaser is now a party or by which it is bound, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment or decree to which the Purchaser or its property is subject.

(c) Ability to Perform. The Purchaser does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant required of the Purchaser under this Agreement.

(d) No Litigation Pending. There is no action, suit, proceeding or investigation pending or, to Purchaser's knowledge, threatened against the Purchaser that, either in any one instance or in the aggregate, is likely to result in any material adverse change in the business, operations, financial condition, properties or assets of the Purchaser, or in any material impairment of the right or ability of the Purchaser to carry on its business substantially as now conducted, or in any material liability on the part of the Purchaser, or which would draw into question the validity of this Agreement or the Mortgage Loans or of any action taken or to be taken in connection with the obligations of the Purchaser contemplated herein, or which would be likely to impair materially the ability of the Purchaser to perform under the terms of this Agreement.

(e) No Consent Required. No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Purchaser of or compliance by the Purchaser with this Agreement or the consummation of the transactions contemplated by this Agreement, or if required, such approval has been obtained prior to the initial Purchase Date.

SECTION 7. REPRESENTATIONS AND WARRANTIES REGARDING INDIVIDUAL LOANS.

As to each Mortgage Loan, the Seller hereby represents and warrants to the Purchaser that as of the related Purchase Date:

(a) Mortgage Loans as Described. The information set forth in the related Mortgage Loan Schedule is complete, true and correct. All of the Mortgage Loans are one-to-four family residential mortgage loans having an original term acceptable to the Purchaser, typically between ten (10) years and thirty (30) years. The Mortgagor's credit and credit scores comply with the Seller's Guide as of the Purchase Date for each Mortgage Loan.

(b) Payments Current. All payments required to be made up to the related Purchase Date for the Mortgage Loan under the terms of the Mortgage Note have been made and credited. No payment required under the Mortgage Loan is delinquent nor has any payment under the Mortgage Loan been delinquent for more than thirty (30) days in the twelve (12) months preceding the related Purchase Date.

(c) No Outstanding Charges. There are no defaults in complying with the terms of the Mortgage, and all taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents which previously became due and owing have been paid, or an escrow of funds has been established in an amount sufficient to pay for every such item which remains unpaid and which has been assessed but is not yet due and payable. The Seller has not advanced funds, or induced, solicited or knowingly received any advance of

funds by a party other than the Mortgagor, directly or indirectly, for the payment of any amount required under the Mortgage Loan.

(d) Original Terms Unmodified. The terms of the Mortgage Note and Mortgage have not been impaired, waived, altered or modified in any respect, except by a written instrument which has been recorded, if necessary to protect the interests of the Purchaser and which has been delivered to the Purchaser.

The substance of any such waiver, alteration or modification has been approved by all applicable persons and entities, to the extent required, and its terms are reflected on the related Mortgage Loan Schedule. No Mortgagor has been released, in whole or in part, except in connection with an assumption agreement approved by all applicable persons and entities, to the extent required, and which assumption agreement is part of the Mortgage Loan File delivered to the Purchaser and the terms of which are reflected in the related Mortgage Loan Schedule.

(e) No Defenses. The Mortgage Loan is not subject to any right of rescission, set-off, counterclaim or defense, including without limitation the defense of usury, nor will the operation of any of the terms of the Mortgage Note or the Mortgage, or the exercise of any right there under, render either the Mortgage Note or the Mortgage unenforceable, in whole or in part, or subject to any right of rescission, setoff, counterclaim or defense, including without limitation the defense of usury, and no such right of rescission, set-off, counterclaim or defense has been asserted with respect thereto, and no Mortgagor was a debtor in any state or federal bankruptcy or insolvency proceeding at the time the Mortgage Loan was originated.

(f) Hazard Insurance. Pursuant to the terms of the Mortgage, all buildings or other improvements upon the Mortgaged Property are insured by a generally acceptable insurer against loss by fire, hazards of extended coverage and such other hazards as are customary in the area where the Mortgaged Property is located pursuant to insurance policies conforming to all applicable requirements. If upon origination of the Mortgage Loan, the Mortgaged Property was in an area identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards a life-of-loan flood insurance policy meeting the requirements of the current guidelines of the Federal Flood Insurance Administration is in effect which policy conforms to all applicable requirements. Such flood insurance shall be with an Approved Flood Policy Insurer. All individual insurance policies contain a standard mortgagee clause naming the Seller and its successors and assigns as mortgagee, and all premiums thereon have been paid.

The Mortgage obligates the Mortgagor there under to maintain the hazard insurance policy at the Mortgagor's cost and expense, and on the Mortgagor's failure to do so, authorizes the holder of the Mortgage to obtain and maintain such insurance at such Mortgagor's cost and expense, and to seek reimbursement therefore from the Mortgagor.

Where required by state law or regulation, the Mortgagor has been given an opportunity to choose the carrier of the required hazard insurance, provided the policy is not a "master" or "blanket" hazard insurance policy covering the common facilities of a planned unit development. The hazard insurance policy is the valid and binding obligation of the insurer, is in full force and effect, and will be in full force and effect and inure to the benefit of the Purchaser upon the consummation of the transactions contemplated by this Agreement.

The Seller has not engaged in, and has no knowledge of the Mortgagor's or any subservicer's having engaged in, any act or omission which would impair the coverage of any such policy, the benefits of the endorsement provided for herein, or the validity and binding effect of either, including, without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind has been or will be received, retained or realized by any attorney, firm or other person or entity, and no such unlawful items have been received, retained or realized by the Seller.

(g) Compliance with Applicable Laws. Each Mortgage Loan complies with (i) all local, state, and federal laws, regulations, and guidance and any and all requirements of any federal, state or local law and regulation and guidance (including, without limitation, usury, truth-in-lending, real estate settlement procedures, consumer credit protection, equal credit opportunity, disclosure, privacy, , predatory and abusive lending and unfair and deceptive practices) applicable to the Mortgage Loan, (ii) the regulations, rules, requirements and guidelines of any governmental agency, board, commission, instrumentality or other governmental or quasi-governmental body or office, and Fannie Mae, Freddie Mac, Ginnie Mae and HUD, as applicable, (iii) all judicial and administrative judgments, orders, stipulations, and injunctions applicable to Seller or the Mortgage Loans, and (iv) the Seller's Guide. Seller's lending and underwriting practices comply with all local, state and federal laws, regulations and

guidance, including, but not limited to all truth in lending, steering and, loan originator compensation requirements.

(h) No Satisfaction of Mortgage. The Mortgage has not been satisfied, canceled, subordinated or rescinded, in whole or in part, 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 release, cancellation, subordination or rescission. The Seller has not waived the performance by the Mortgagor of any action, if the Mortgagor's failure to perform such action would cause the Mortgage Loan to be in default, nor has the Seller waived any default resulting from any action or inaction by the Mortgagor.

(i) Location and Type of Mortgaged Property. The Mortgaged Property is a fee simple property located in the state identified in the related Mortgage Loan Schedule and consists of a single parcel of real property with a detached single family residence erected thereon, or a two- to four-family dwelling, or an individual condominium unit in a low-rise condominium project, or an individual unit in a planned unit development, provided, however, that any condominium unit or planned unit development shall conform with the applicable Fannie Mae, Freddie Mac, Ginnie Mae and HUD requirements regarding such dwellings. No portion of the Mortgaged Property is used for commercial purposes.

(j) Valid First Lien. The Mortgage is a valid, subsisting enforceable and perfected first lien and first priority security interest on the Mortgaged Property, including all buildings on the Mortgaged Property and all installations and mechanical, electrical, plumbing, heating and air conditioning systems located in or annexed to such buildings, and all additions, alterations and replacements made at any time with respect to the foregoing. The lien of the Mortgage is subject only to:

- (1) the lien of current real property taxes and assessments not yet due and payable;
- (2) covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording acceptable to mortgage lending institutions generally and specifically referred to in the lender's title insurance policy delivered to the originator of the Mortgage Loan and (i) referred to or to otherwise considered in the appraisal made for the originator of the Mortgage Loan or (ii) which do not adversely affect the appraised value of the Mortgaged Property set forth in such appraisal; and
- (3) 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, subsisting and enforceable first lien and first priority security interest on the property described therein and the Seller has full right to sell and assign the same to the Purchaser. The Mortgaged Property was not, as of the date of origination of the Mortgage Loan, subject to a mortgage, deed of trust, deed to secure debt or other security instrument creating a lien subordinate to the lien of the Mortgage unless specified in the Mortgage File and the Mortgage Loan Schedule.

(k) Validity of Mortgage Documents. The Mortgage Note and the Mortgage are genuine, and each is the legal, valid and binding obligation of the maker thereof enforceable in accordance with its terms. All parties to the Mortgage Note and the Mortgage and any other related agreement had legal capacity to enter into the Mortgage Loan and to execute and deliver the Mortgage Note and the Mortgage and any other related agreement, and the Mortgage Note and the Mortgage and any other related agreement have been duly and properly executed by such parties. The documents, instruments and agreements submitted for loan underwriting were not falsified and contain no untrue statement of material fact and do not omit to state a material fact required to be stated therein or necessary to make the information and statements therein not misleading. No fraud was committed in connection with the origination of the Mortgage Loan. The Seller has reviewed all of the documents constituting the Mortgage File and the Servicing File for each Mortgage Loan and has made such inquiries as it deems necessary or as may be required by applicable law to make and confirm the accuracy of the representations set forth herein.

(l) Full Disbursement of Proceeds. The Mortgage Loan has been closed and the proceeds of the Mortgage Loan have been fully disbursed and there is no requirement for future advances thereunder, and any and all requirements as to completion of any on-site or off-site improvement and as to disbursements of any escrow funds there for have been complied with. All costs, fees and expenses incurred in making or closing the Mortgage Loan

and the recording of the Mortgage were paid, and the Mortgagor is not entitled to any refund of any amounts paid or due under the Mortgage Note or Mortgage.

(m) Ownership. The Seller is the sole owner of record and holder of the Mortgage Loan. The Mortgage Loan is not assigned or pledged, and the Seller has good and marketable title thereto, and has full right to transfer and sell the Mortgage Loan therein to the Purchaser free and clear of any encumbrance, equity, participation interest, lien, pledge, charge, claim or security interest, and has full right and authority subject to no interest or participation of, or agreement with, any other party, to sell and assign each Mortgage Loan pursuant to this Agreement.

(n) Doing Business. All parties that have had any interest in the Mortgage Loan, whether as mortgagee, assignee, pledgee or otherwise, are (or, during the period in which they held and disposed of such interest, were) (1) in compliance with any and all applicable licensing requirements of the laws of the state wherein the Mortgaged Property is located, and (2) organized under the laws of such state, or (3) qualified to do business in such state, or (4) federal savings and loan associations or national banks having principal offices in such state, or (5) not doing business in such state.

(o) Mortgage Insurance Certificate.

(i) With regard to all Mortgage Loans that are, or are intended to be, FHA insured: All HUD requirements have been and are being complied with, and a mortgage insurance certificate (MIC) has been properly and timely obtained with respect to each Mortgage Loan and is in full force and effect, and all premiums due thereunder have been paid. No action, inaction, or event has occurred and no state of facts exists that has, or will result in the exclusion from, denial of, or defense to coverage. The Mortgage Interest Rate for the Mortgage Loan as set forth on the Mortgage Loan Schedule is net of any such insurance premium;

(ii) With regard to all conventional Mortgage Loans, if the loan to value ratio at the time of origination exceeds a certain amount, or if the loan otherwise is required to have private mortgage insurance, then a private mortgage insurance policy has been obtained from a private mortgage insurance company that is acceptable to Fannie Mae or Freddie Mac, and the form of the policy is acceptable under all applicable laws and other guidelines and requirements, and nothing has been done or omitted that would invalidate the private mortgage insurance.

(p) Title Insurance. The Mortgage Loan is covered by an ALTA lender's title insurance policy or other generally acceptable form of policy of insurance acceptable to Fannie Mae, Freddie Mac, Ginnie Mae and HUD, issued by a title insurer acceptable to Fannie Mae, Freddie Mac, Ginnie Mae and HUD and qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring the Seller, its successors and assigns, as to the first priority lien, as applicable, of the Mortgage in the original principal amount of the Mortgage Loan subject only to the exceptions contained in clauses (1) and (2) of paragraph (j) of this Section 7. With respect to all refinance transactions, Seller shall use the title insurance agents and settlement and closing agents approved or otherwise designated by Purchaser. Where required by state law or regulation, the Mortgagor has been given the opportunity to choose the carrier of the required mortgage title insurance. Additionally, such lender's title insurance policy affirmatively insures ingress and egress, and against encroachments by or upon the Mortgaged Property or any interest therein.

The Seller is the sole insured of such lender's title insurance policy, and such lender's title insurance policy is in full force and effect and will be in force and effect upon the consummation of the transactions contemplated by this Agreement. No claims have been made under such lender's title insurance policy, and no prior holder of the Mortgage, including the Seller, has done, by act or omission, anything which would impair the coverage of such lender's title insurance policy including without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind has been or will be received, retained or realized by any attorney, firm or other person or entity, and no such unlawful items have been received, retained or realized by the Seller.

(q) No Defaults. There is no default, breach, violation or event of acceleration existing under the Mortgage or the Mortgage Note and no event which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration, and neither the Seller nor its predecessors have waived any default, breach, violation or event of acceleration.

(r) No Mechanics' Liens. There are no mechanics' or similar liens or claims which have been filed for work, labor or material (and no rights are outstanding that under the law could give rise to such liens) affecting

the related Mortgaged Property which are or may be liens prior to, or equal or coordinate with, the lien of the related Mortgage.

(s) Location of Improvements; No Encroachments. All improvements which were considered in determining the Appraised Value of the Mortgaged Property lay wholly within the boundaries and building restriction lines of the Mortgaged Property and no improvements on adjoining properties encroach upon the Mortgaged Property. No improvement located on or being part of the Mortgaged Property is in violation of any applicable zoning law or regulation.

(t) Origination. Payment Terms. Principal payments on the Mortgage Loan commenced no more than sixty (60) days after the funds were disbursed in connection with the Mortgage Loans. At the time the Mortgage Loan was originated, the originator was (i) licensed to originate Mortgage Loans in the state in which the Mortgaged Property is located and (ii) a mortgagee approved by the Secretary of Housing and Urban Development pursuant to Sections 203 and 211 of the National Housing Act or a savings and loan association, a savings bank, a commercial bank or similar banking institution which is supervised and examined by a Federal or State authority. The Mortgage Interest Rate is the fixed interest rate set forth in the Mortgage Note. The Mortgage Note is payable in equal monthly installments of principal and interest, with interest calculated and payable in arrears, sufficient to amortize the Mortgage Loan fully by the stated maturity date, over an original term of not more than thirty years from commencement of amortization. No Mortgage Loan provides for negative amortization. No Mortgage Loan is a balloon mortgage loan.

(u) Customary Provisions. The Mortgage contains 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. Upon default by a Mortgagor on a Mortgage Loan and foreclosure on, or trustee's sale of, the Mortgaged Property pursuant to the proper procedures, the holder of the Mortgage Loan will be able to deliver good and merchantable title to the Mortgaged Property. There is no homestead or other exemption available to the Mortgagor which would interfere with the right to sell the Mortgaged Property at a trustee's sale or the right to foreclose the Mortgage subject to applicable federal and state laws and judicial precedent with respect to bankruptcy and right of redemption.

(v) Conformance with Agency Guidelines. The Mortgage Loan was underwritten in accordance with the Seller's underwriting guidelines in effect at the time the Mortgage Loan was originated, a copy of which underwriting guidelines has been made available to Purchaser and, in all cases, are consistent with Fannie Mae, Freddie Mac, Ginnie Mae and HUD guidelines (as applicable) and all applicable law. The Mortgage Loan is in conformity with the standards of Fannie Mae, Freddie Mac, Ginnie Mae and HUD (as applicable), and the Mortgage Note and Mortgage are on forms acceptable to Fannie Mae, Freddie Mac, Ginnie Mae and HUD, as applicable. The Mortgage Loan conforms to the requirements of the Seller's Guide, including any additional representations and warranties contained therein.

(w) Occupancy of the Mortgaged Property. As of the Purchase Date, the Mortgaged Property is lawfully occupied under applicable law. All inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the Mortgaged Property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities.

(x) No Additional Collateral. The Mortgage Note is not and has not been secured by any collateral except the lien of the corresponding Mortgage and the security interest of any applicable security agreement or chattel mortgage referred to in (j) above.

(y) Deeds of Trust. In the event the Mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or will become payable by the Purchaser to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgagor.

(z) Acceptable Investment. The Seller has no knowledge of any circumstances or conditions with respect to the Mortgaged Property, the Mortgagor or the Mortgagor's credit standing that can reasonably be expected to cause private institutional investors 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.

(aa) Delivery of Mortgage Documents. The Mortgage Note, the Mortgage, the Assignment of Mortgage and any other documents required to be delivered by the Seller to the Purchaser under this Agreement have been delivered to the Purchaser or its designee. The Seller is in possession of a complete, true and accurate Mortgage File in compliance with Exhibit B, except for such documents the originals of which have been delivered to the Purchaser.

(bb) Condominiums/Planned Unit Developments. If the Mortgaged Property is a condominium unit or a planned unit development (other than a de minimus planned unit development) such condominium or planned unit development project meets all applicable Fannie Mae and HUD eligibility requirements for sale to Fannie Mae and/or insurance from the FHA, or is located in a condominium or planned unit development project which has received all applicable Fannie Mae and HUD project approvals, and the representations and warranties required by Fannie Mae and HUD, as applicable, with respect to such condominium or planned unit development have been made and remain true and correct in all respects.

(cc) Due on Sale. The Mortgage contains an enforceable provision for the acceleration of the payment of the unpaid principal balance of the Mortgage Loan in the event that the Mortgaged Property is sold or transferred without the prior written consent of the Mortgagee thereunder.

(dd) Transfer of Mortgage Loans. The Assignment of Mortgage is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the Mortgaged Property is located.

(ee) No Buydown Provisions; No Graduated Payments or Contingent Interests. The Mortgage Loan does not contain provisions pursuant to which Monthly Payments are paid or partially paid with funds deposited in any separate account established by the Seller, the Mortgagor or anyone on behalf of the Mortgagor, or paid by any source other than the Mortgagor nor does it contain any other similar provisions currently in effect which may constitute a “buy down” provision. The Mortgage Loan is not a graduated payment mortgage loan and the Mortgage Loan does not have a shared appreciation or other contingent interest feature.

(ff) Consolidation of Future Advances. Any future advances made prior to the related Purchase Date have been consolidated with the outstanding principal amount secured by the Mortgage, and the secured principal amount, as consolidated, bears a single interest rate and single repayment term. The lien of the Mortgage securing the consolidated principal amount is expressly insured as having first lien priority by a title insurance policy, an endorsement to the policy insuring the mortgagee’s consolidated interest or by other title evidence acceptable to Fannie Mae, Freddie Mac, Ginnie Mae and HUD, as applicable. The consolidated principal amount does not exceed the original principal amount of the Mortgage Loan.

(gg) Mortgaged Property Undamaged. There is no proceeding pending or, to the Seller’s knowledge, threatened for the total or partial condemnation of the Mortgaged Property. The Mortgaged Property is undamaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado or other casualty so as to affect adversely the value of the Mortgaged Property as security for the Mortgage Loan or the use for which the premises were intended.

(hh) Collection Practices; Escrow Deposits. The origination and collection practices used with respect to the Mortgage Loan have been in accordance with Accepted Servicing Practices, in all respects in compliance with all applicable laws and regulations and in all material respects proper and prudent in the mortgage origination and servicing business. With respect to escrow deposits and Escrow Payments, all such payments are in the possession of the 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. An escrow of funds is not prohibited by applicable law and has been established in an amount sufficient to pay for every item which remains unpaid and which 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. All Mortgage Interest Rate adjustments have been made in strict compliance with state and federal law and the terms of the related Mortgage Note. Any interest required to be paid pursuant to state and local law has been properly paid and credited.

(ii) Appraisal. The Mortgage File contains an appraisal of the related Mortgage Property signed prior to the approval of the Mortgage Loan application by a Qualified Appraiser. The appraisal was performed in

accordance with all applicable requirements, including without limitation the Fannie Mae Home Valuation Code of Conduct.

(jj) Servicemembers' Civil Relief Act. The Mortgagor has not notified the Seller, and the Seller has no knowledge of any relief requested or allowed to the Mortgagor under the Servicemembers' Civil Relief Act of 2003, as amended, or any successor legislation thereto.

(kk) Environmental Matters. The Mortgaged Property is free from any and all toxic or hazardous substances and there exists no violation of any local, state or federal environmental law, rule or regulation. There is no pending action or proceeding directly involving any Mortgaged Property of which the Seller is aware in which compliance with any environmental law, rule or regulation is an issue; and nothing further remains to be done to satisfy in full all requirements of each such law, rule or regulation consisting a prerequisite to use and enjoyment of said property.

(ll) No Construction Loans. No Mortgage Loan was made in connection with (i) the construction or rehabilitation of a Mortgaged Property or (ii) facilitating the trade-in or exchange of a Mortgaged Property.

(mm) No Denial of Insurance. The Seller has caused or will cause to be performed any and all acts required to preserve the rights and remedies of the Purchaser in any insurance policies applicable to the Mortgage Loans including, without limitation, any necessary notifications of insurers, assignments of policies or interests therein, and establishments of coinsured, joint loss payee and mortgagee rights in favor of the Purchaser. No action, inaction, or event has occurred and no state of fact exists or has existed that has resulted or will result in the exclusion from, denial of, or defense to coverage under any applicable pool insurance policy, special hazard insurance policy, mortgage insurance certificate or bankruptcy bond, irrespective of the cause of such failure of coverage. In connection with the placement of any such insurance, no commission, fee, or other compensation has been or will be received by the Seller or any designee of the Seller or any corporation in which the Seller or any officer, director, or employee had a financial interest at the time of placement of such insurance.

(nn) Points and Fees; Mortgagor Acknowledgment. All points, fees and charges (including finance charges), whether or not financed, assessed, collected or to be collected in connection with the origination and servicing of each Mortgage Loan has been disclosed in writing to the Mortgagor in accordance with applicable state and federal law and regulation. No Mortgagor was charged "points and fees" (whether or not financed) in an amount that violated any applicable law, rule or regulation, including anti-predatory lending requirements. The Mortgagor has executed a statement to the effect that the Mortgagor has received all disclosure materials required by applicable law with respect to the making of adjustable rate mortgage loans. The Seller shall maintain such statement in the Mortgage File.

(oo) Simple Interest Mortgage Loans. None of the Mortgage Loans are simple interest Mortgage Loans.

(pp) Single Premium Credit Life Insurance. No Mortgagor was required to purchase any single premium credit insurance policy (e.g., life, disability, accident, unemployment, or health insurance product) or debt cancellation agreement as a condition of obtaining the extension of credit. No Mortgagor obtained a prepaid single premium credit insurance policy (e.g., life, disability, accident, unemployment, mortgage, or health insurance in connection with the origination of the Mortgage Loan. No proceeds from any Mortgage Loan were used to purchase single premium credit insurance policies or debt cancellation agreements as part of the origination of, or as a condition to closing, such Mortgage Loan. No Mortgagor has a debt cancellation agreement with respect to the related Mortgage Loan.

(qq) Recordation. Seller is MERS approved, and all Mortgage Loans are and shall be registered with MERS and subject to the MERS identification system.

(rr) Minimum Loan Amount. No Mortgage Loan had an original principal balance of less than Forty Thousand and 00/100ths Dollars (\$40,000.00).

(ss) Predatory Lending Regulations: High Cost Loans. None of the Mortgage Loans are classified as (a) "high cost" loans under the Home Ownership and Equity Protection Act of 1994 or (b) "high cost," "threshold," "predatory," "covered" loans under any other applicable state, federal or local law (or a similarly classified loan using different terminology under a law imposing heightened regulatory scrutiny or additional legal liability for residential

mortgage loans having high interest rates, points and/or fees). No Mortgage Loan is a High Cost Loan or Covered Loan, as applicable (as such terms are defined in the current Standard & Poor's LEVELS® Glossary).

(tt) Origination. No error, omission, misrepresentation, negligence, fraud or similar occurrence with respect to a Mortgage Loan has taken place on the part of any person including without limitation the Mortgageor, any appraiser, any builder or developer, or any other party involved in the origination of the Mortgage Loan or, in the application of any insurance in relation to such Mortgage Loan; no predatory or deceptive lending practices, including, without limitation, the extension of credit without regard to the ability of the Mortgageor to repay and the extension of credit which has no apparent benefit to the Mortgageor, were employed in the origination of the Mortgage Loan.

(uu) Compliance with 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 and the regulations promulgated by the Office of Foreign Assets Control ("OFAC") of the United States Department of Treasury, has conducted the requisite due diligence in connection with the origination of each Mortgage Loan for purposes of the Anti-Money Laundering Laws that also requires regular checks of the Specially Designated Nationals ("SDN") list issued by OFAC, including with respect to the legitimacy of the applicable Mortgageor and the origin of the assets used by the said Mortgageor to purchase the property in question, and maintains, and will maintain, sufficient information to identify the applicable Mortgageor for purposes of the Anti-Money Laundering Laws.

(vv) Credit Reporting. The Seller has fully furnished in accordance with the Fair Credit Reporting Act and its implementing regulations, accurate and complete information on the Mortgageor credit files to Equifax, Experian and Trans Union Credit Information Company on a monthly basis. Prior to the Transfer Date, the Seller shall have transmitted full-file credit reporting data for each Mortgage Loan pursuant to applicable legal requirements, and, for each Mortgage Loan, prior to the Transfer Date, the Seller shall have reported one of the following statuses each month as follows: new origination, current, delinquent (30-, 60-, 90-days, etc.), foreclosed, or charged-off.

(ww) Qualified Mortgage. The Mortgage Loan is a "qualified mortgage" within the meaning of Section 860G(a)(3) of the Internal Revenue Code.

(xx) Underwriting Methodology. The methodology used in underwriting the extension of credit for each Mortgage Loan employs objective mathematical principles which relate the Mortgageor's income, assets and liabilities to the proposed payment and such underwriting methodology does not rely on the extent of the Mortgageor's equity in the collateral as the principal determining factor in approving such credit extension. Such underwriting methodology confirmed that at the time of origination (application/approval) the Mortgageor had a reasonable ability to make timely payments on the Mortgage Loan.

(yy) Higher Cost Products. No Mortgageor was encouraged or required to select a Mortgage Loan product offered by the Mortgage Loan's originator which is a higher cost product designed for less creditworthy borrowers, unless at the time of the Mortgage Loan's origination, such Mortgageor did not qualify taking into account credit history and debt to income ratios for a lower cost credit product then offered by the Mortgage Loan's originator or any affiliate of the Mortgage Loan's originator. If, at the time of loan application, the Mortgageor may have qualified for a lower cost credit product then offered by any mortgage lending affiliate of the Mortgage Loan's originator, the Mortgage Loan's originator referred the Mortgageor's application to such affiliate for underwriting consideration.

(zz) Arbitration. No Mortgage Loan contains any term mandating arbitration.

SECTION 8. REMEDIES FOR BREACH OF REPRESENTATIONS AND WARRANTIES; ADDITIONAL REPURCHASE OBLIGATIONS; RECAPTURE.

(a) The Seller and the Purchaser understand and agree that the representations and warranties set forth in Sections 6(a) and 7 shall survive the sale of the Mortgage Loans to the Purchaser and the delivery of the Mortgage Loan Documents to the Purchaser and shall inure to the benefit of the Purchaser, notwithstanding any restrictive or

qualified endorsement on any Mortgage Note or Assignment of Mortgage or the examination or failure to examine any Mortgage File. Upon discovery by either the Seller or the Purchaser of a breach of any of the foregoing representations and warranties which materially and adversely affects the value of the Mortgage Loans, the ability of the Seller to perform its obligations hereunder or the interest of the Purchaser or which adversely affects the interests of Purchaser in the related Mortgage Loan in the case of a representation and warranty relating to a particular Mortgage Loan (in the case of any of the foregoing, a "Breach"), the party discovering such Breach shall give prompt written notice to the other. Notwithstanding anything in this Agreement to the contrary, a Breach shall be deemed to exist if there is any fact or circumstance related to any Mortgage Loan that results in that Mortgage loan not being able to be included in any security or any pool of loans being securitized or not being able to be sold by Purchaser to any investor or other third party or Agency.

(b) With respect to those representations and warranties which are made to the best of the Seller's knowledge, if it is discovered by the Seller or the Purchaser that the substance of such representation and warranty is inaccurate and such inaccuracy materially and adversely affects the value of the related Mortgage Loan or the interest of the Purchaser (or which materially and adversely affects the value of a Mortgage Loan or the interests of the Purchaser in the related Mortgage Loan in the case of a representation and warranty relating to a particular Mortgage Loan), notwithstanding the Seller's lack of knowledge with respect to the substance of such representation and warranty, such inaccuracy shall be deemed a breach of the applicable representation and warranty. Within twenty (20) days after the earlier of either discovery by or notice to the Seller of any Breach of a representation or warranty, the Seller shall cure such Breach or, if such Breach cannot be cured, the Seller shall, at the Purchaser's option and in its sole discretion, and in addition to the indemnification obligations of the Seller under Section 9 hereof, repurchase such Mortgage Loan at the Repurchase Price. In the event that a Breach shall involve any representation or warranty set forth in Section 6(a), and such Breach cannot be cured within twenty (20) days after the earlier of either discovery by or notice to the Seller of such Breach, all of the Mortgage Loans shall, at the Purchaser's option and in its sole discretion, and in addition to the indemnification obligations of the Seller under Section 9 hereof, be repurchased by the Seller at the Repurchase Price.

(c) In addition to the foregoing and other repurchase events detailed within this Agreement, the Seller shall be required to repurchase a Mortgage Loan at the Repurchase Price within five (5) Business Days following receipt of notice from the Purchaser of the occurrence of any of the following events with respect to such Mortgage Loan:

1. In the event that any Mortgagor fails to make the first scheduled combined payment of principal and interest payable by a Mortgagor under the related Mortgage Note (the "Monthly Payment") due on a Mortgage Loan within the calendar month such payment is due; or

2. If, at anytime, within the first twelve (12) months following purchase of the Loan, any scheduled Monthly Payment on such Mortgage Loan is or becomes ninety (90) days delinquent with respect to a monthly payment; or

3. If, at anytime, within the first twelve (12) months following the purchase of a Mortgage Loan the applicable mortgagor becomes a debtor in a bankruptcy proceeding or commences any other proceeding under any reorganization, adjustment of debt, relief of debtors, dissolution, insolvency, liquidation or similar type laws.

A Mortgagor shall be considered delinquent with respect to a Monthly Payment if said Monthly Payment is not received by Purchaser or its assigns by the first day of the month following the month within which the Monthly Payment was due, regardless of the number of days in any month. For example:

- If the Mortgagor has not made his or her January payment by the first day of February, the Mortgagor shall be considered thirty (30) days delinquent with respect to the January payment.
- If the Mortgagor has not made their January payment by the fifteenth day of February, the Mortgagor shall be considered forty-five (45) days delinquent with respect to the January payment.
- If the Mortgagor has not made their January payment by the first day of March, the Mortgagor shall be considered sixty (60) days delinquent with respect to the January payment.
- If the Mortgagor has not made their January payment by the first day of April, the Mortgagor shall be considered ninety (90) days delinquent with respect to the January payment.

Seller shall not have the right to advance funds for or on behalf of a Mortgagor for any payment or to otherwise make funds available to any Mortgagor to avoid or cure a default by the Mortgagor. A payment for which Purchaser deducted funds at the time it purchased the Loan from Seller shall not be considered the first payment due after the date the Loan is sold.

Absent clear and convincing evidence of actual and material prejudice to the Seller, the failure of Purchaser to provide timely notice of a repurchase obligation shall not relieve Seller of any of its duties or obligations.

The Seller and the Purchaser agree that Seller's Repurchase Obligation with respect to a Mortgage Loan shall not be obviated by the fact that the property securing the Mortgage Loan has been foreclosed upon and said property has been acquired by Purchaser, its assigns, or a third party, it being understood that the Seller's repurchase obligations hereunder encompass the repurchase of the property from Purchaser at the Repurchase Price (if Purchaser has acquired the property), or, if a third party has acquired the property, paying Purchaser the Repurchase Price.

The Seller and the Purchaser further agree that following demand by the Purchaser upon the Seller for repurchase of a Mortgage Loan or for any other payment required hereunder, the Purchaser shall have the absolute right to withhold or offset any monies otherwise due Seller, including but not limited to monies that may be due Seller associated with other Mortgage Loans purchased or subject to purchase by Purchaser.

In addition to the Seller's Repurchase Obligations as contained within this section, Seller shall indemnify the Purchaser and any Purchaser Indemnified Party and hold it harmless against any losses, damages, penalties, fines, forfeitures, reasonable and necessary legal fees and related costs, judgments, and other costs and expenses resulting from any claim, demand, defense or assertion based on or grounded upon, or resulting from, a breach of the Seller's representations and warranties or a repurchase demand hereunder. The indemnification obligation of the Seller set forth herein shall survive the termination of this Agreement notwithstanding any applicable statute of limitations, which the Seller hereby expressly waives.

(d) Agency / End Investor Repurchase. In addition to the foregoing and other repurchase events detailed within this Agreement, if the Purchaser is required by an Agency or other end investor in the Mortgage Loan to repurchase a Mortgage Loan, then the Purchaser may, in its sole and absolute discretion, either (i) require that the Seller provide to the Purchaser the total amount of funds that the Purchaser is required to pay to the Agency or end investor for such repurchase promptly upon written notice and in time to meet the repurchase requirements of any Agency or end investor demand and comply with all RESPA notification requirements (such amount, the "Mortgage Loan Repurchase Price"), or (ii) advance the Mortgage Loan Repurchase Price on behalf of the Seller in which case the Seller shall, within five (5) Business Days of Purchaser providing written notice of the advance of such funds, reimburse the Purchaser for the Mortgage Loan Repurchase Price. Within five (5) Business Days of such repurchase of a Mortgage Loan, the Seller shall also pay to the Purchaser the Repurchase Price for the related Servicing Rights. To the extent amounts are not timely provided to the Purchaser as required pursuant to this Section 8(d), such amounts will incur interest at a rate of one and a half percent (1.5%) interest per month, or such lesser amount as may be required by applicable law.

The Purchaser will reasonably cooperate with the Seller to effectuate the repurchase of a Mortgage Loan in accordance with Agency / End Investor requirements. Upon completion of the repurchase of a Mortgage Loan and the related Servicing Rights by the Seller pursuant to Section 8(d) above, the Seller will make commercially reasonable efforts to promptly either (i) sell the Mortgage Loan and the related Servicing Rights, or (ii) arrange for alternate servicing of the Mortgage Loan.

Subject to the below paragraphs, and without limiting any other remedies available under this Agreement, if the Purchaser is required by an Agency or end investor to make the Agency / end investor whole for a liquidated Mortgage Loan, the Purchaser shall promptly notify the Seller of the related make-whole amount (the "Make-Whole Amount") and the date on which such make-whole amount is required to be paid to the Agency (the "Make-Whole Date"). No later than five (5) Business Days prior to the Make-Whole Date, the Seller shall pay to the Purchaser, by wire transfer of immediately available funds, the sum of (i) the related Make-Whole Amount and (ii) the Repurchase Price for the

Servicing Rights related to the liquidated Mortgage Loan. To the extent amounts are not timely provided to the Purchaser as required pursuant to this Section, such amounts will incur interest at a rate of one and a half percent (1.5%) interest per month, or such lesser amount as may be required by applicable law.

Promptly following receipt by the Purchaser of a demand for repurchase or indemnification, and/or any correspondence from an Agency or end investor requesting information regarding any Mortgage Loan which gives rise to a demand by a Purchaser Indemnified Party against the Seller under Sections 9 and/or 8(d), the Purchaser shall, to the extent permitted by applicable law and the Agency / end investor requirements, within five (5) Business Day of its receipt of any such demand or correspondence, provide notice and a copy thereof to the Seller; provided that any failure by Purchaser to deliver such demand or request from the Agency to Seller shall not in any way relieve Seller from its obligations under Sections 9 and/or 8(d).

The Seller and the Purchaser shall make reasonable efforts to cooperate in defending against any claims asserted by an Agency or end investor against a Purchaser Indemnified Party, for which the Purchaser Indemnified Party would, in turn, be entitled to assert a repurchase or indemnification claim against the Seller under this Agreement. The Seller and the Purchaser shall also make reasonable efforts to cooperate in defending against any claims asserted by an Agency or end investor with regard to any Mortgage Loan for which the Seller is subject to liability under Sections 9 and/or 8(d). In the event of the foregoing, the Seller shall maintain the ability to directly communicate with the Agency / end investor in order to dispute and or favorably resolve such claims asserted by the Agency / end investor; provided, however, that the Seller remains wholly responsible to the Purchaser hereunder in the event that, despite efforts made by the Seller to dispute or favorably resolve a claim asserted by the Agency / end investor, the Purchaser is nevertheless required to repurchase, pay a Make-Whole Amount, or otherwise compensate the Agency / end investor.

(e) Any repurchase of a Mortgage Loan or Loans pursuant to the foregoing provisions of this Section 8 shall be accomplished by direct remittance of the Repurchase Price to the Purchaser or in accordance with the Purchaser's instructions. At the time of repurchase, the Purchaser and the Seller shall arrange for the reassignment of the repurchased Mortgage Loan to the Seller and the delivery to the Seller of any documents that were delivered by the Seller to the Purchaser or held by the Purchaser relating to the repurchased Mortgage Loan, in each case without representation or warranty from, or recourse to, the Purchaser. In the event of a repurchase, the Seller shall, simultaneously with such reassignment, give written notice to the Purchaser and any servicer of the Mortgage Loans that such repurchase has taken place and amend the Mortgage Loan Schedule to reflect the withdrawal of the repurchased Mortgage Loan from this Agreement.

(f) In addition to the other obligations of the Seller, and the other remedies available to the Purchaser, under this Agreement, if a Premium is paid by the Purchaser to the Seller on a Mortgage Loan and such Mortgage Loan is prepaid in full, other than by a refinancing by the Purchaser, within six (6) months after the applicable Purchase Date, the Seller shall refund to the Purchaser the Premium paid by the Purchaser to the Seller. For purposes of this paragraph, the term "Premium" shall mean the portion of the amount paid by Purchaser to Seller for the applicable Mortgage Loan that exceeds the principal balance of such Mortgage Loan.

(g) The repurchase price (the "Repurchase Price") for any Loan subject to a Repurchase Obligation shall be as follows:

(1) In general:

- (a) The unpaid principal balance of such Mortgage Loan; plus
- (b) Administrative fee of \$3,500 (this Administrative Fee is only payable if Seller fails to repurchase the Mortgage Loan within the twenty (20) calendar day cure period described above); plus
- (c) Over Par Premium calculated as the greater of (i) the Purchase Price Percentage minus one hundred percent; or (ii) two percent (2%); plus
- (d) All costs and expenses actually incurred through the repurchase date, including but not limited to reasonable fees and expenses of counsel associated with enforcing Seller's repurchase obligation's hereunder, plus interest on said costs and expenses at an annual rate of ten percent (10%) from the date such costs and expenses are incurred by the Purchaser; plus

- (e) The amount specified by Purchaser as the amount necessary to cover its projected and potential Losses, costs and expenses associated with the Mortgage Loan; plus
- (f) All interest associated with the Mortgage Loan that has accrued but been unpaid from the “paid-to-date” of the Mortgage Loan through and including the last day of the month in which the repurchase is made; plus
- (g) Any advances of taxes or insurance made by Purchaser or any successor holder of the Loan with regard to such Mortgage Loan incurred as of the date of repurchase plus interest on said advances at an annual rate of ten percent (10%) from the date of such advances; less
- (h) Any proceeds of mortgage insurance with respect to the Mortgage Loan actually collected by Purchaser or any successor holder of the Mortgage Loan; less
- (i) Default Payment previously paid (if any).

(2) If the real property securing a Loan has been foreclosed upon (or otherwise subject to similar process) and obtained by Purchaser or any successor holder and/or purchased by a third party, then the Seller shall be obligated to pay Purchase as provided for in the preceding section, plus:

- (a) All accrued but unpaid interest on the unpaid principal balance of the Mortgage Loan from the paid-to-date of the Loan through and including the last day of the month in which the foreclosure occurs; plus
- (b) All costs and expenses, including but not limited to reasonable fees and expenses of counsel, incurred by Purchaser or any successor holder in connection with the foreclosure and management/care of the property; plus interest on said costs and expenses at an annual rate of ten percent (10%) from the date incurred; less
- (c) The net proceeds actually received by Purchaser associated with the sale to a third-party purchaser.

SECTION 9. INDEMNIFICATION.

The Seller agrees to indemnify the Purchaser and any parent, subsidiary, affiliate, director, officer and owner of Purchaser and their successors and permitted assigns (each a “Purchaser Indemnified Party”) and hold such Purchaser Indemnified Party harmless from and against any and all claims, losses, damages, penalties, fines, forfeitures, legal fees and related costs, judgments, and any other costs, fees and expenses (collectively, and regardless of which party sustains them, the “Damages”) that the Purchaser Indemnified Party may sustain in any way related to (i) any act or omission on the part of the Seller or any other person or entity in the origination, receiving, processing, funding or servicing any Mortgage Loan prior to the related Transfer Date or otherwise arising, directly or indirectly, from the transfer of servicing of the Mortgage Loans provided for in this Agreement, (ii) a Breach of any of the Seller’s representations or warranties or a breach by Seller of any covenants or other obligations contained herein, (iii) the failure of the Seller to perform in any way its duties, and service the Mortgage Loans, in strict compliance with the terms of this Agreement, (iv) any fraud by any party in connection with the origination of the Mortgage Loans, (v) any Agency or end investor demand for repurchase under Section 8(d) herein, or (vi) any litigation, proceeding, governmental investigation, order, injunction or decrees, the basis of which occurred prior to the applicable Transfer Date. For clarification purposes, such losses, liabilities and damages will include the amounts of any denied insurance or guaranty coverage arising out of or related to such breaches, failures or fraud.

The Seller shall immediately notify the Purchaser Indemnified Party if a claim is made by a third party with respect to this Agreement or the Mortgage Loans, the Purchaser Indemnified Party shall control the defense of any such claim, and the Seller shall pay all expenses in connection therewith and herein, including counsel fees, costs and expenses, and promptly pay, discharge and satisfy any judgment or decree which may be entered against it or the Purchaser Indemnified Party in respect of such claim. In addition to the obligations of the Seller set forth in this Section 9, the Purchaser Indemnified Party may pursue any and all remedies otherwise available under this Agreement, or at law or in equity, including, but not limited to, the right to seek damages and the right to demand repurchase under Section 8 hereof. The provisions of this Section 9 shall survive termination of this Agreement.

SECTION 10. CLOSING.

Each closing for the purchase and sale of the Mortgage Loans shall take place on the related Purchase Date. At the Purchaser's option, each Closing shall be confirmed by telephone, letter, email or wire. Each closing shall be subject to each of the following conditions:

(a) all of the representations and warranties of the Seller under this Agreement shall be true and correct as of the related Purchase Date and no event shall have occurred which, with notice or the passage of time, would constitute a default under this Agreement.

(b) the Seller shall represent and warrant that as of the related Purchase Date it has not experienced any Material Adverse Change.

(c) all other terms and conditions of this Agreement shall have been complied with by Seller, including without limitation the delivery of the Mortgage File.

(d) the Seller shall be in compliance with, and each Mortgage Loan on the related Mortgage Schedule shall comply with, the Seller's Guide, which is incorporated herein in its entirety.

SECTION 11. COSTS.

All costs and expenses incurred in connection with the transfer and delivery of the Mortgage Loans, including servicing transfer fees, any fees due MERS, fees for title policy endorsements and continuations and the Seller's attorney's fees, shall be paid by the Seller. In addition, the Seller shall pay any fees related to the set up of all tax contracts or flood insurance contracts for the Mortgage Loans and Seller shall be responsible for the payment of any costs associated with the transfer of the tax insurance contracts or flood insurance contracts to the ultimate servicer.

SECTION 12. PROTECTION OF CONFIDENTIAL INFORMATION.

The Seller shall keep confidential and shall not divulge to any party, without the Purchaser's prior written consent, the Purchase Price paid by the Purchaser for the Mortgage Loans, except to the extent that it is appropriate for the Seller to do so in working with legal counsel, auditors, taxing authorities or other governmental agencies. To the extent that there is an exchange of information regarding customers of either party, such exchange shall be in compliance with the provisions of all applicable federal and state laws and regulations.

- a. Each party acknowledges that any customer-related information provided to the other or their respective representatives, or about which the other becomes aware because of this Agreement, is proprietary information.
- b. The parties recognize that each is required by law to protect and keep confidential all nonpublic personal information obtained from customers.
- c. Both parties agree not to disclose, either directly or indirectly, to any person (e.g., person, firm or business) or use any nonpublic personal information regarding customers obtained from the other except to carry out the purposes for which the nonpublic personal information was disclosed in the ordinary course of business, including use or disclosure under an exception in Section 14 or 15 of the regulations adopted by the regulatory agency having authority under Title V of the Gramm-Leach-Bliley Act of 1999 to prescribe and enforce regulations relating to financial privacy applicable to the parties (including, but not limited to, 12 CFR 40.14 and 40.15 for national banks and subsidiaries; 12 CFR 216.14 and 216.15 for state Federal Reserve member banks, bank holding companies and their non-bank subsidiaries and affiliates; 12 CFR 332.14 and 332.15 for state banks that are not Federal Reserve members and their subsidiaries; and 12 CFR 573.14 and 573.15 for savings associations and their subsidiaries). The parties further agree to establish procedures to protect the security and confidentiality of such information.

SECTION 13. NOTICES.

All demands, notices and communications hereunder shall be in writing and shall be deemed to have been duly given if mailed, by registered or certified mail, return receipt requested, or, if by other means, when received by the other party at the address shown on the signature page hereof, or such other address as may hereafter be furnished to the other party by like notice. Any such demand, notice or communication hereunder shall be deemed to have been received on the date delivered to or received at the premises of the addressee (as evidenced, in the case of registered or certified mail, by the date noted on the return receipt as the accepted or refused date).

SECTION 14. ENTIRE AGREEMENT; SEVERABILITY CLAUSE.

Except as otherwise provided herein, this Agreement constitutes the entire agreement between the parties hereto and supersedes all rights and prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof. Any part, provision, representation or warranty of this Agreement that is prohibited or that is held to be void or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof. Any part, provision, representation or warranty of this Agreement that is prohibited or unenforceable or is held to be void or unenforceable in any jurisdiction shall be ineffective, as to such jurisdiction, to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction as to any Mortgage Loan shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereto waive any provision of law that prohibits or renders void or unenforceable any provision hereof. If the invalidity of any part, provision or section of this Agreement shall deprive any party of the economic benefit intended to be conferred by this Agreement, the parties shall negotiate, in good faith, to develop a structure, the economic effect of which is as close as possible to the economic effect of this Agreement, without regard to such invalidity.

SECTION 15. COUNTERPARTS.

This Agreement may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument.

SECTION 16. PLACE OF DELIVERY AND GOVERNING LAW.

This Agreement shall be deemed in effect when a fully executed counterpart thereof is received by the Purchaser in the State of Illinois and shall be deemed to have been made in the State of Illinois. The Agreement shall be construed in accordance with the laws of the State of Illinois and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with the laws of the State of Illinois, except to the extent preempted by Federal law. If there is a lawsuit, the parties agree to submit to the jurisdiction of the state or federal courts located in Livingston County, State of Illinois.

SECTION 17. FURTHER AGREEMENTS; ASSURANCES.

The Purchaser and the Seller each agree to execute and deliver to the other such additional documents, instruments or agreements as may be necessary or appropriate to effectuate the purposes of this Agreement. Without limiting the generality of the foregoing, the Seller shall cooperate with the Purchaser in connection with the securitization of the Mortgage Loans by the Purchaser. In that connection, the Seller shall provide to the Purchaser any and all information and appropriate verification of information, whether through letters of its auditors and counsel or otherwise, as the Purchaser shall reasonably request. Prior to incurring any out-of-pocket expenses pursuant to this paragraph, the Seller shall notify the Purchaser in writing of the estimated amount of such expense. The Purchaser shall reimburse the Seller for any such expense following its receipt of appropriate details thereof. From time to time prior to the Transfer Date, the Seller shall furnish to the Purchaser such reports, information or documentation

supplementary to the information contained in the documents and schedules delivered pursuant hereto and deliver such reports as may reasonably be requested by the Purchaser and as are reasonably normal and customary in the mortgage servicing industry, and the Purchaser and the Seller shall afford reasonable cooperation each to the other both prior to and following the Transfer Date.

The Seller and the Purchaser shall each, at the reasonable request of the other, execute and deliver to each other all such other instruments or documentation that either may reasonably request in order to perfect the transfer, assignment and delivery to the Purchaser of the Mortgage Loans and the consummation of the agreements hereunder.

SECTION 18. INTENTION OF THE PARTIES.

The parties intend that the Purchaser is purchasing, and the Seller is selling, one hundred percent (100%) ownership interest in the Mortgage Loans in each Mortgage Loan Package and not a debt instrument of the Seller or another security. Accordingly, the parties hereto each intend to treat each transaction for accounting and Federal income tax purposes as a sale by the Seller, and a purchase by the Purchaser, of the Mortgage Loans in each Mortgage Loan Package. Moreover, the arrangement under which the Mortgage Loans are held shall be consistent with classification of such arrangement as a grantor trust in the event it is not found to represent direct ownership of the Mortgage Loans. The Purchaser shall have the right to review the Mortgage Loans and the related Mortgage Loan Files to determine the characteristics of the Mortgage Loans which shall affect the Federal income tax consequences of owning the Mortgage Loans and the Seller shall cooperate with all reasonable requests made by the Purchaser in the course of such review.

SECTION 19. SUCCESSORS AND ASSIGNS; ASSIGNMENT OF PURCHASE AGREEMENT.

This Agreement shall bind and inure to the benefit of and be enforceable by the Seller and the Purchaser and the respective successors and assigns of the Seller and the Purchaser. This Agreement shall not be assigned, pledged or hypothecated by Seller to a third party without the prior written consent of the Purchaser. This Agreement may be assigned, pledged or hypothecated by the Purchaser to a third party without the prior written consent of the Seller.

SECTION 20. WAIVERS; OTHER AGREEMENTS; AMENDMENTS.

No term or provision of this Agreement may be waived or modified unless such waiver or modification is in writing and signed by the party against whom such waiver or modification is sought to be enforced. This Agreement may be amended from time to time by the Purchaser and the Seller only by written agreement signed by the Purchaser and the Seller.

SECTION 21. EXHIBITS.

The exhibits to this Agreement are hereby incorporated and made a part hereof and are an integral part of this Agreement.

SECTION 22. GENERAL INTERPRETIVE PRINCIPLES.

For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Agreement have the meanings assigned to them in this Agreement and include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender.

(b) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.

(c) references herein to “Articles”, “Sections”, “Subsections”, “Paragraphs”, and other subdivisions without reference to a document are to designated Articles, Sections, Subsections, Paragraphs and other subdivisions of this Agreement.

(d) a reference to a Subsection without further reference to a Section is a reference to such Subsection as contained in the same Section in which the reference appears, and this rule shall also apply to Paragraphs and other subdivisions.

(e) the words “herein”, “hereof”, “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular provision.

(f) the term “include” or “including” shall mean without limitation by reason of enumeration.

SECTION 23. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by any party at the closing, and (c) financial statements, certificates and other information previously or hereafter furnished, may be reproduced by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. The parties agree that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding, whether or not the original is in existence and whether or not such reproduction was made by a party in the regular course of business, and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

SECTION 24. RECORDATION OF ASSIGNMENTS OF MORTGAGE.

To the extent permitted by applicable law, each of the Assignments of Mortgage is subject to recordation in all appropriate public offices for real property records in all the counties or their comparable jurisdictions in which any or all of the Mortgaged Properties are situated, and in any other appropriate public recording office or elsewhere, such recordation to be effected at the Seller’s expense in the event recordation is either necessary under applicable law or requested by the Purchaser at its sole option.

SECTION 25. RECONSTITUTION.

The Purchaser may sell the Mortgage Loans to whole loan purchasers (“Whole Loan Transfers”), exchange the Mortgage Loans for agency securities (“Agency Transfers”) or convey the Mortgage Loans to securitized trust structures (“Pass-Through Transfers”). In the event that the Purchaser sells certain Mortgage Loans into Pass-Through Transfers or Agency Transfers, the Seller agrees to cooperate with the Purchaser in reviewing and adhering to the terms of any agreements which might be required as part of Agency Transfers or Pass-Through Transfers (the “Reconstitution Agreement”), including without limitation agreeing to a pass through of the Seller’s representations, warranties and covenants contained herein (including repurchase obligations). The Seller further acknowledges, agrees and understands that regulatory authorities and government agencies are presently engaged in constant review of the regulatory environment affecting the Seller’s and the Purchaser’s respective businesses and that such changes may require a change in the terms and conditions of this Agreement, which changes may be implemented through a change in the Seller’s Guide.

SECTION 26. DOCUMENTS MUTUALLY DRAFTED.

The Seller and the Purchaser agree that this Agreement and each other document prepared in connection with the transactions set forth herein have been mutually drafted and negotiated by each party, and consequently

such documents shall not be construed against either party as the drafter thereof.

SECTION 27. NON-SOLICITATION BY SELLER OF PURCHASER'S EMPLOYEES.

- a. Seller shall not, directly or indirectly, for its benefit or that of any other entity, without the prior written consent of Purchaser, during the term of this Agreement and for a period of one (1) year following termination of this Agreement, regardless of the nature of, or reason for such termination:
 - i. solicit, recruit, or induce any employee of Purchaser, as defined herein, to leave Purchaser's employment;
 - ii. accept, directly or indirectly, whether offered personally or in conjunction with another entity, the services of any employee of Purchaser as defined herein, providing or offering to provide loan purchase services similar to, or in competition with the loan purchase services which are the object of this Agreement; or
 - iii. hire or retain any employee of Purchaser as defined herein as Seller's employee, agent or independent contractor.
- b. For purposes of this Section, employee of Purchaser shall be limited to those persons known by Seller to be an employee of Purchaser involved in, or assigned by Purchaser duties or responsibilities relating to the loan purchase services which are the object of this Agreement, or to have had such employment during one (1) year prior to the date of solicitation, recruitment, inducement, hire, retention, or other provision of services.

Without limiting any other remedy at law or equity available to Purchaser, in the event of a breach of any of the covenants in this Section, the Purchaser's injury shall be immediate, irreparable, and incapable of complete remedy by an award of monetary damages alone. The Purchaser shall have the right to an immediate injunction enjoining Seller's breach of such covenants, without bond, in addition to its actual damages, provided, however, that Seller also shall be responsible for all attorney's fees, costs, and expenses incurred by the Purchaser in the enforcement of any provision of this Section, regardless of whether the Purchaser files suit, and whether the Purchaser is granted legal or equitable relief, or both. Every right and remedy of the Purchaser shall be cumulative, and the Purchaser, in its sole discretion, may exercise any and all rights stated in this Agreement, or otherwise available at law or in equity.

SECTION 28. WAIVER OF JURY TRIAL.

EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 29. TERMINATION.

Provided the party terminating is not otherwise in default hereunder, this Agreement may be terminated by either party upon written notice to the other party as provided below. The termination of this Agreement shall not terminate outstanding obligations to process or deliver Mortgage Loans in progress or to pay outstanding claims, fees or expenses due hereunder or with respect to said Mortgage Loans. Sections 6, 7, 8, 9, 11, 12, 16 through 29 shall survive the termination of this Agreement.

IN WITNESS WHEREOF, the Purchaser and the Seller have caused this Mortgage Loan Purchase and Sale Agreement to be executed as of the day and year first above written.

PURCHASER

FLANAGAN STATE BANK

By: _____

Name: _____

Title: _____

Address for Notices:

Flanagan State Bank
Attn: President
P.O. Box 368
Flanagan, IL 61740

SELLER

By: _____

Name: _____

Title: _____

Address for Notices:

EXHIBITS:

EXHIBIT A - DEFINITIONS

The following terms are defined as set forth below:

| | |
|---|---|
| Accepted Servicing Practices: | With respect to any Mortgage Loan, those mortgage servicing practices of prudent mortgage lending institutions which service mortgage loans of the same type as such Mortgage Loan in the jurisdiction where the related Mortgaged Property is located. |
| Agency: | Fannie Mae, Freddie Mac, Ginnie Mae and/or HUD and their successors and assigns. |
| ALTA: | The American Land Title Association or any successor thereto. |
| Appraised Value: | The value set forth in an appraisal made by a Qualified Appraiser in connection with the origination of the related Mortgage Loan as the value of the Mortgaged Property. |
| Approved Flood Policy Insurer: | A nationally recognized flood insurer approved by Fannie Mae, Freddie Mac, Ginnie Mae and HUD, or other insurer as may be approved by Purchaser from time to time. |
| Approved Tax Service Contract Provider: | A nationally recognized tax service contract vendor approved by Fannie Mae, Freddie Mac, Ginnie Mae and HUD, or other similar vendor as may be approved by Purchaser from time to time. |
| Assignment of Mortgage: | An assignment of the Mortgage, notice of transfer or equivalent instrument in recordable form, sufficient under the laws of the jurisdiction wherein the related Mortgaged Property is located to reflect the sale of the Mortgage to the Purchaser. |
| Business Day: | Any day other than (i) a Saturday or Sunday, or (ii) a day on which banking and savings and loan institutions in the State of Illinois are authorized or obligated by law or executive order to be closed. |
| Condemnation Proceeds: | All awards or settlements in respect of a Mortgaged Property, whether permanent or temporary, partial or entire, by exercise of the power of eminent domain or condemnation, to the extent not required to be released to a Mortgagor in accordance with the terms of the related Mortgage Loan Documents or applicable law. |
| Cut-off Date: | The first day of the month in which the Purchase Date occurs or as otherwise set forth in the Trade Confirmation. |
| Deleted Mortgage Loan: | A Mortgage Loan which is repurchased or substituted with a Qualified Substitute Mortgage Loan by the Seller in accordance with the terms of this Agreement. |
| Escrow Payments: | With respect to any Mortgage Loan, the amounts constituting ground rents, taxes, assessments, water rates, sewer rents, municipal charges, mortgage insurance premiums, fire and hazard insurance premiums, condominium charges, and any other payments required to be escrowed by the Mortgagor with the mortgagee pursuant to the Mortgage or any other document. |
| Fannie Mae: | The Federal National Mortgage Association and its successors and assigns. |

| | |
|--------------------------|--|
| FICO Score: | Statistical credit scores obtained by mortgage lenders in connection with the loan application to help assess a borrower's credit worthiness. The FICO Score shall be the lower of two, or the middle of three, credit scores. |
| Freddie Mac: | The Federal Home Loan Mortgage Corporation and its successors and assigns. |
| Ginnie Mae: | The Government National Mortgage Association and its successors and assigns. |
| HUD: | The U.S. Department of Housing and Urban Development. |
| Insurance Proceeds: | With respect to each Mortgage Loan, proceeds of insurance policies insuring the Mortgage Loan or the related Mortgaged Property. |
| Liquidation Proceeds: | Cash received in connection with the liquidation of a defaulted Mortgage Loan, whether through the sale or assignment of such Mortgage Loan, trustee's sale, foreclosure sale or otherwise, or the sale of the related Mortgaged Property if the Mortgaged Property is acquired or foreclosed upon in satisfaction of the Mortgage Loan. |
| LPMI Fee: | The portion of the Mortgage Interest Rate relating to any LPMI Loan, which is set forth on the Mortgage Loan Schedule, to be retained by the Seller to pay the premium due on the Primary Insurance Policy with respect to such LPMI Loan. |
| LPMI Loan: | Any Mortgage Loan with respect to which the Seller is responsible for paying the premium due on the related Primary Insurance Policy with the proceeds generated by the LPMI Fee relating to such Mortgage Loan, as set forth on the Mortgage Loan Schedule. |
| Material Adverse Change: | (a) A material adverse change in, or a material adverse effect upon, the operations, business, properties, condition (financial or otherwise) or prospects of the Seller; (b) a material impairment of the ability of Seller to perform under this Agreement or any related agreements; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability of this Agreement or any related agreements against Seller. |
| MERS: | Mortgage Electronic Registration Systems, Inc. or any successor thereto. |
| MERS Mortgage Loan: | Any Mortgage Loan registered with MERS on the MERS System. |
| MERS System: | The system of recording transfers of mortgages electronically maintained by MERS. |
| MI Fee: | Any LPMI Fee or any monthly fee payable to HUD with respect to mortgage insurance. |
| Monthly Payment: | The meaning set forth in Section 8(c) hereof. |
| Mortgage: | The mortgage, deed of trust or other instrument securing a Mortgage Note, which creates a first or second lien, as applicable, on an unsubordinated estate in fee simple in real property securing the Mortgage Note. |
| Mortgage File: | The items pertaining to a particular Mortgage Loan referred to in Exhibit B annexed hereto, and any additional documents required to be added to the Mortgage File pursuant to this Agreement. |
| Mortgage Interest Rate: | The annual rate of interest borne on a Mortgage Note. |
| Mortgage Loan: | An individual Mortgage Loan which is the subject of this Agreement, each Mortgage Loan originally sold and subject to this Agreement being identified on |

the related Mortgage Loan Schedule, which Mortgage Loan includes without limitation the Mortgage File, the Monthly Payments, Liquidation Proceeds, Condemnation Proceeds, Insurance Proceeds, REO Disposition Proceeds, all Servicing Rights and all other rights, benefits, proceeds and obligations arising from or in connection with such Mortgage Loan.

| | |
|-----------------------------|--|
| Mortgage Loan Documents: | The documents contained in the Mortgage File pertaining to each Mortgage Loan. |
| Mortgage Loan Package: | One or more Mortgage Loans sold to the Purchaser by the Seller on a Purchase Date. |
| Mortgage Loan Schedule: | With respect to each Mortgage Loan Package, a schedule of Mortgage Loans delivered by Seller to Purchaser at least two (2) Business Days prior to the applicable Purchase Date, such schedule setting forth the specific information requested by Purchaser with respect to each Mortgage Loan, the Mortgaged Property and the Mortgagor. |
| Mortgage Note: | The note or other evidence of the indebtedness of a Mortgagor secured by a Mortgage. |
| Mortgaged Property: | The real property securing repayment of the debt evidenced by a Mortgage Note. |
| Mortgagor: | The obligor on a Mortgage Note. |
| Net Mortgage Interest Rate: | With respect to any Mortgage Loan, as of any date of determination, a per annum rate of interest equal to the then applicable Mortgage Interest Rate for such Mortgage Loan minus the MI Fee, if applicable. |
| Officer's Certificate: | A certificate signed by the Chairman of the Board or the Vice Chairman of the Board or the President or a Vice President and by the Treasurer or the Secretary or one of the Assistant Treasurers or Assistant Secretaries of the Seller, and delivered to the Purchaser as required by this Agreement. |
| Person: | Any individual, corporation, limited liability company, limited liability partnership, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof. |
| Premium: | The meaning set forth in Section 8(f). |
| Primary Insurance Policy: | A policy of primary mortgage guaranty insurance issued by a Qualified Insurer. |
| Purchase Date: | The relevant date on which the Purchaser from time to time shall purchase and the Seller from time to time shall sell the Mortgage Loans listed on the related Mortgage Loan Schedule. |
| Purchase Price: | The price paid by the Purchaser to the Seller in exchange for the Mortgage Loans pursuant to Section 3 of this Agreement. |
| Purchase Price Percentage: | The percentage of par as stated in the Trade Confirmation (subject to adjustment as provided therein). |
| Qualified Appraiser: | An appraiser, duly appointed by the Seller, who had no interest, direct or indirect, in the Mortgaged Property or in any loan made on the security thereof, and whose compensation is not affected by the approval or disapproval of the Mortgage Loan, and such appraiser and the appraisal made by such appraiser both satisfy the requirements of Title XI of the Federal Institutions Reform, Recovery and Enforcement Act of 1989 and the regulations promulgated there under, all as in effect on the date the Mortgage Loan was originated. |

Qualified Insurer: Either (i) a primary mortgage insurer acceptable to Fannie Mae or (ii) a primary mortgage insurer acceptable to Freddie Mac.

REO Disposition Proceeds: All amounts received with respect to an REO disposition.

Repurchase Price: The meaning set forth in Section 8(g) hereof.

Securitization Date: The date on which Purchaser has completed its securitization of a pool of Mortgage Loans that includes the applicable Mortgage Loan.

Seller's Guide: The eligibility requirements established by the Purchaser that must be satisfied by a Mortgage Loan originator to sell Mortgage Loans to the Purchaser and the specifications that a Mortgage Loan must meet, and the requirements that it must satisfy, to qualify for the Purchaser's program of Mortgage Loan purchases, as such requirements and specifications may be revised, supplemented or replaced from time to time in the Purchaser's sole discretion by notice to the Seller, which notice shall be sufficient if it is posted online at the Purchaser's Seller's Guide website, www.flanaganstatebank.com. As of the date of this Agreement, the Seller's Guide consists of the regulations, rules, requirements and guidelines of Fannie Mae, Freddie Mac, Ginnie Mae and HUD.

Servicing File: With respect to each Mortgage Loan, the file retained by the Seller until the applicable Transfer Date consisting of originals of all documents in the Mortgage File, which are not delivered to the Purchaser or the Purchaser's designee on or before the Purchase Date, and copies of the Mortgage Loan Documents listed on Exhibit B hereto.

Servicing Rights: Any and all of the following: (a) any and all rights to service the Mortgage Loans; (b) any payments to or monies received by the Seller for servicing the Mortgage Loans; (c) any late fees, penalties or similar payments with respect to the Mortgage Loans; (d) all agreements or documents creating, defining or evidencing any such servicing rights to the extent they relate to such servicing rights and all rights of the Seller there under; (e) Escrow Payments or other similar payments with respect to the Mortgage Loans and any amounts actually collected by the Seller with respect thereto; (f) all accounts and other rights to payment related to any of the property described in this paragraph; and (g) any and all documents, files, records, servicing files, servicing documents, servicing records, data tapes, computer records, or other information pertaining to the Mortgage Loans or pertaining to the past, present or prospective servicing of the Mortgage Loans.

Stated Principal Balance: As to each Mortgage Loan, (i) the principal balance of the Mortgage Loan at the related Purchase Date after giving effect to payments of principal received on or before such date, minus (ii) all amounts previously distributed to the Purchaser or Purchaser's designee with respect to the related Mortgage Loan representing payments or recoveries of principal or advances in lieu thereof.

Trade Confirmation: With respect to the Mortgage Loans purchased and sold on the Purchase Date, the letter agreement between the Purchaser and the Seller, in the form annexed hereto as Exhibit C (including any exhibits, schedules and attachments thereto), setting forth the terms and conditions of such transaction and describing the Mortgage Loans to be purchased by the Purchaser on the Purchase Date.

Transfer Date: The date on which the Purchaser, or its designee, shall receive the transfer of servicing responsibilities and begin to perform the servicing of the related Mortgage Loans, and the Seller shall cease all servicing responsibilities. Such date shall be the date specified by Purchaser in its sole and absolute discretion.

EXHIBIT B - CONTENTS OF EACH MORTGAGE FILE

With respect to each Mortgage Loan, the Mortgage File shall include each of the following items, which shall be available for inspection by the Purchaser and any prospective Purchaser, and which shall be delivered to the Purchaser pursuant to Section 2 of the Purchase Agreement to which this Exhibit is attached (the "Agreement"):

1. The original Mortgage Note, indorsed "Pay to the order of FLANAGAN STATE BANK, without recourse" and signed in the name of the Seller by an authorized officer of Seller. If an allonge is provided by the Seller, the allonge must be permanently affixed as required by the applicable Uniform Commercial Code. The Mortgage Note shall include all intervening indorsements showing a complete chain of title from the originator to the Seller.
2. The original of any guarantee executed in connection with the Mortgage Note.
3. The original Mortgage, with evidence of recording thereon, together with an Assignment of Mortgage for any non-MERS loan and originals of any intervening Assignments of Mortgage with evidence of recording thereon. If in connection with any Mortgage Loan, the Seller cannot deliver or cause to be delivered the original Mortgage or any intervening Assignment of Mortgage with evidence of recording thereon on or prior to the related Purchase Date because of a delay caused by the public recording office where such Mortgage or any intervening Assignment of Mortgage has been delivered for recordation or because such Mortgage or any intervening Assignment of Mortgage has been lost or because such public recording office retains the original recorded Mortgage or any intervening Assignment of Mortgage, the Seller shall deliver or cause to be delivered to the Purchaser, a photocopy of such Mortgage or any intervening Assignment of Mortgage, together with (i) in the case of a delay caused by the public recording office, an Officer's Certificate of the Seller stating that such Mortgage and any intervening Assignment of Mortgage has been dispatched to the appropriate public recording office for recordation and that the original recorded Mortgage and any intervening Assignment of Mortgage or a copy of such Mortgage and any intervening Assignment of Mortgage certified by such public recording office to be a true and complete copy of the original recorded Mortgage and any intervening Assignment of Mortgage will be promptly delivered to the Purchaser upon receipt thereof by the Seller; or (ii) in the case of a Mortgage or any intervening Assignment of Mortgage where a public recording office retains the original recorded Mortgage or any intervening Assignment of Mortgage or in the case where a Mortgage or any intervening Assignment of Mortgage is lost after recordation in a public recording office, a copy of such Mortgage or any intervening Assignment of Mortgage certified by such public recording office to be a true and complete copy of the original recorded Mortgage or any intervening Assignment of Mortgage. In any event, the Seller shall deliver to the Purchaser the original recorded Mortgage or any intervening Assignment of Mortgage (in the case of clause (i) above) or a certified copy (in the case of clause (ii) above) within one hundred twenty (120) days after the related Purchase Date.
4. The originals of all assumption, modification, consolidation or extension agreements, with evidence of recording thereon.
5. The original mortgagee policy of title insurance, or, if the original policy has not yet been released by the insurer, the related binders. In any event, the Seller shall deliver to the Purchaser the original policy of title insurance within one hundred twenty (120) days after the related Purchase Date. The policy must be properly endorsed, any necessary notices of transfer must be forwarded and any other action required to be taken must be taken in order to fully protect, under the terms of the policy and applicable law, Purchaser's interest as first mortgagee.
6. Original HUD Mortgage Insurance Certificate (MIC) or evidence of private mortgage insurance, as applicable and as required.
7. Any security agreement, chattel mortgage or equivalent executed in connection with the Mortgage.
8. The original hazard insurance policy and, if required by law, flood insurance policy, in accordance with Section 7(f) of the Agreement.
9. Residential loan application.
10. Mortgage Loan closing statement.

11. Verification of employment and income except for Mortgage Loans originated under a Limited Documentation Program.
12. Verification of acceptable evidence of source and amount of down payment.
13. Credit report on the Mortgagor.
14. Residential appraisal report, including interior, exterior and street view pictures of the subject property along with pictures of all comparables.
15. Survey of the Mortgaged Property, if any.
16. Copy of each instrument necessary to complete identification of any exception set forth in the exception schedule in the title policy, i.e., map or plat, restrictions, easements, sewer agreements, home association declarations, etc.
17. All required disclosure statements.
18. If available, termite report, structural engineer's report, water potability and septic certification.
19. Sales contract.
20. Tax receipts, insurance premium receipts, ledger sheets, payment history from date of origination, insurance claim files, correspondence, current and historical computerized data files, and all other processing, underwriting and closing papers and records which are customarily contained in a mortgage loan file and which are required to document the Mortgage Loan or to service the Mortgage Loan.
21. Amortization schedule.

EXHIBIT C – FORMAT OF TRADE CONFIRMATION

LLC MEMBER RESOLUTION

RESOLUTION OF THE MEMBERS

RESOLVED FIRST, that

| NAME OF MEMBER | SIGNATURE OF MEMBER | TITLE OF MEMBER |
|----------------|---------------------|-----------------|
| NAME OF MEMBER | SIGNATURE OF MEMBER | TITLE OF MEMBER |
| NAME OF MEMBER | SIGNATURE OF MEMBER | TITLE OF MEMBER |
| NAME OF MEMBER | SIGNATURE OF MEMBER | TITLE OF MEMBER |

Of this LLC, or any one or more of them or their duly elected or appointed successors in office, be and each of them is hereby authorized and empowered in the name of and on the behalf of this LLC and from time to time while these resolutions are in effect, to execute any and all agreements, contracts, assignments, endorsement and issuance of checks or drafts, reports, mortgage documents, and other papers in connection with documents, and furnish any information required or deemed necessary or proper by Flanagan State Bank, in connection with and of the foregoing.

CERTIFICATION

I HEREBY CERTIFY that the foregoing is a true and correct copy of a resolution presented to and adopted by the Members of _____ at the meeting duly called and held at _____ on the _____ day of _____ 20____, at which a quorum was present and voted, and such resolution is duly recorded in the minute book of this LLC; and are the present incumbents of the respective offices set after their respective names.

SECRETARY

LLC MANAGER RESOLUTION

RESOLUTION OF THE MANAGERS

RESOLVED FIRST, that

NAME OF MANAGER

SIGNATURE OF MANAGER

TITLE OF MANAGER

NAME OF MANAGER

SIGNATURE OF MANAGER

TITLE OF MANAGER

NAME OF MANAGER

SIGNATURE OF MANAGER

TITLE OF MANAGER

NAME OF MANAGER

SIGNATURE OF MANAGER

TITLE OF MANAGER

Of this LLC, or any one or more of them or their duly elected or appointed successors in office, be and each of them is hereby authorized and empowered in the name of and on the behalf of this LLC and from time to time while these resolutions are in effect, to execute any and all agreements, contracts, assignments, endorsement and issuance of checks or drafts, reports, mortgage documents, and other papers in connection with documents, and furnish any information required or deemed necessary or proper by Flanagan State Bank, in connection with and of the foregoing.

CERTIFICATION

I HEREBY CERTIFY that the foregoing is a true and correct copy of a resolution presented to and adopted by the Managers of _____ at the meeting duly called and held at _____ on the _____ day of _____ 20____, at which a quorum was present and voted, and such resolution is duly recorded in the minute book of this LLC; and are the present incumbents of the respective offices set after their respective names.

SECRETARY

Resolution / Certification of Authorization

RESOLUTION OF BOARD OF DIRECTORS and CERTIFICATION OF AUTHORIZED SIGNATURES of

RESOLVED FIRST, that

| NAME OF OFFICER | SIGNATURE OF OFFICER | TITLE OF OFFICER |
|-----------------|----------------------|------------------|
| | | |
| | | |
| | | |
| | | |

Of this LLC, or any one or more of them or their duly elected or appointed successors in office, be and each of them is hereby authorized and empowered in the name of and on the behalf of this LLC and from time to time while these resolutions are in effect, to execute any and all agreements, contracts, assignments, endorsement and issuance of checks or drafts, reports, mortgage documents, and other papers in connection with documents, and furnish any information required or deemed necessary or proper by Flanagan State Bank, in connection with and of the foregoing.

CERTIFICATION

I HEREBY CERTIFY that the foregoing is a true and correct copy of a resolution presented to and adopted by the Board of Directors of _____ at the meeting duly called and held at _____ on the _____ day of _____ 20____, at which a quorum was present and voted, and such resolution is duly recorded in the minute book of this LLC; and are the present incumbents of the respective offices set after their respective names.

SECRETARY

QUALITY CONTROL PLAN CHECKLIST

DATE:

COMPANY:

SELLER ID #:

GENERAL QUALITY CONTROL REQUIREMENTS – Broker and Correspondent

| | | | | |
|---|-----|--------------------------|----|--------------------------|
| 1. Complies with all applicable local, state and federal laws, including, but not limited to, The Fair Housing Act, Equal Credit Opportunity Act, Truth In Lending Act and the Real Estate Settlement Procedures Act (RESPA).* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 2. Quality control is conducted independent of origination and underwriting.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 3. Sample selection narrative.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 4. All quality control reports to be completed within 90 days of closing.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 5. Management’s Corrective Action for noted deficiencies completed within 30 days of quality control.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 6. Adequate Scope.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 7. Adequate Sampling Size: Statistical sampling or 10% of closed/funded loans and 10% of rejected loans and all first payment and early payment defaults.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 8. Findings of misrepresentation, fraud, and similar findings must be reported to Purchaser within 30 days of initial discovery.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 9. Records of all quality control findings must be maintained for at least 3 years from closing/funding date.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 10. On-site branch reviews, if applicable.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 11. Verify at least semi-annually that no one is employed for HUD origination, processing, or underwriting who is debarred, suspended, subject to a Limited Denial of Participation (LDP) or otherwise restricted from participation in HUD/VA programs (FHA ONLY).* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 12. A copy of the executed QC Agreement is required if a third party vendor is used for Quality Control.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |

** Any response checked with an * and marked NO indicates a deficiency in the quality control plan**

PRE-FUNDING QUALITY CONTROL REQUIREMENTS – Broker and Correspondent

- | | | | | |
|---|-----|--------------------------|----|--------------------------|
| 1. Borrower Social Security number used to verify borrower identity.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 2. Income calculations and supporting documentation.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 3. Verbal verifications of employment.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 4. Assets needed to close or meet reserve requirements.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 5. Appraisal or other property valuation data.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 6. Documentation of adequate mortgage insurance coverage.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 7. That condo projects are approved per Agency guidelines.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |

POST CLOSING QUALITY CONTROL REQUIREMENTS – Correspondent Only

- | | | | | |
|---|-----|--------------------------|----|--------------------------|
| 1. Desk reviews of appraisals on all loans included in the quality control sample.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 2. Field Review performed on 10% of loans included in the quality control sample.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 3. New RMCR/tri-merged on all loans included in the quality control sample.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 4. Written re-verification of borrower’s employment, deposits, gift letter, alternate credit sources and other sources of funds.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 5. Verify that the loan file contains all required origination documents.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 6. Verify that the loan file contains all required loan processing documents.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 7. Verify that the loan file contains all required closing documents.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 8. Verify that the loan file contains all required legal documents.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 9. Review the HUD-1 settlement statement to be certain that it was accurately prepared and properly certified.* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 10. It is assured that only FHA allowable fees and charges were paid by the mortgagor (FHA ONLY).* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 11. Ensure that none of the participants in a mortgage transaction (excluding the seller of a principal residence) is barred or suspended or is under an LPD for the program and jurisdiction. It is also determined if the mortgage application is ineligible due to a delinquent federal debt (FHA ONLY).* | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |

****ANY RESPONSE CHECKED WITH AN * (NO) INDICATES A DEFICIENCY IN THE QUALITY CONTROL PLAN****

I attest that this information is true and correct to the best of my knowledge:

Manager/Owner Signature: _____ Date _____

HUD Compliance Certification

Are any employees or agents of the applicant currently, or previously been, suspended, debarred, under a limited denial of participation (LDP), identified on an exclusionary list, or otherwise similarly restricted by the Mortgage Review Board, the Office of Management and Budget, or other federal authority?

Yes/No: _____

Signed/Dated _____