MERCHANTS BANK

MERCHANTS BANK CORRESPONDENT SELLER'S GUIDE

SEPTEMBER 2026

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SECTION ONE: OVERVIEW

a. Agreement

This Merchants Bank Correspondent Seller's Guide ("Seller's Guide") sets forth certain characteristics, registration procedures, and other requirements for the origination, sale, and delivery of Purchasable Loans from Correspondent to Merchants Bank of Indiana ("Merchants") under the Correspondent Loan Purchase and Sale Agreement ("Agreement"). In addition to the Agreement and any other agreements between Merchants and Correspondent, including any Commitment (or "Lock"), Correspondent is bound by this Seller's Guide. Capitalized terms used but not defined in this Seller's Guide have the meanings given to them under the Agreement.

b. Modifications

If Merchants replaces this Seller's Guide, changes, adds, or removes any provision of, otherwise modifies this Seller's Guide, or issues any associated notices or bulletins, Merchants will notify Correspondent. Generally, modifications reflect developments in Merchants' offered Loan programs and products, Investor and Insurer requirements and guidelines, or Applicable Law. Modifications are effective immediately, unless a later effective date is indicated.

c. Use of Merchants' Name

Correspondent shall not use the name "Merchants Bank", "Merchants Bank of Indiana," "Merchants Mortgage," or the name, tradename, or trademarks of any of Merchants or its Affiliates in any of Correspondent's promotional or other materials without the prior written consent of Merchants. Correspondent shall not disclose to any prospective Borrower or its agents that their Loan will be offered for sale to Merchants. Correspondent agrees to indemnify Merchants and its subsidiaries and affiliates from and hold them harmless against any loss, damage, or expense resulting from Correspondent's use of such names, tradenames, or trademarks.

d. Confidentiality; Privacy of Consumer Information

Correspondent shall not use Confidential Information (as defined below) for any purpose other than for the performance of its duties and obligations under the Agreement and/or this Seller's Guide. Correspondent shall not disclose, publish, release, transfer, or otherwise make available Confidential Information in any form to, or for the use or benefit of, any person or entity except to Correspondent's regulators and external auditors without Merchants' consent. However, Correspondent is permitted to disclose relevant aspects of Confidential Information to its officers, agents, subcontractors, and employees to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations under the Agreement and/or this Seller's Guide and such disclosure is not prohibited by Gramm-Leach-Bliley Act of 1999 (Public Law 106-102, 113 Stat.1338) and the regulations promulgated thereunder, as amended (the "GLB Act") or other Applicable Law; provided, however, that Correspondent shall take all reasonable measures to ensure that Confidential Information is not disclosed or duplicated in contravention of this Seller's Guide by such officers, agents, subcontractors, and employees. Correspondent shall immediately notify Merchants in writing of any misappropriation or unauthorized disclosure or use by any person of Confidential Information which may come to its attention and to take measures to limit, stop, or otherwise remedy such misappropriation, or unauthorized disclosure or use. If the GLB Act or other Applicable Law imposes a higher standard of confidentiality to the Confidential Information, such standard shall prevail over this Seller's Guide.

Correspondent shall not make any more copies of Merchants' written or graphic materials containing Confidential Information than is necessary for its use under the Agreement or this Seller's Guide, and each such copy shall be marked with the same proprietary notices as appear on the originals.

Correspondent shall establish commercially reasonable controls to ensure Confidential Information is not disclosed contrary to this Seller's Guide, GLB Act, or any other Applicable Law. Without limiting the foregoing, Correspondent shall implement such physical and other security measures as are necessary to (i) ensure the security and confidentiality of the Confidential Information, (ii) protect against any threats or hazards to the security and integrity of the Confidential Information, (iii) protect against any unauthorized access to or use of the Confidential Information, and (iv) dispose of all consumer information, which includes credit reports and related information, that is obtained in conjunction with the contemplated services, in a manner to render the information unreadable and irretrievable. Correspondent shall, at a minimum, establish and maintain such data security program as is necessary to meet the objectives of the Interagency Guidelines Establishing Standards for Safeguarding Customer Information under 12 C.F.R. Part 364. To the extent Correspondent assigns any duties and responsibilities under the Agreement to an approved agent or other subcontractor, reasonable steps shall be taken to ensure that such agents and subcontractors adhere to the same requirements.

Notwithstanding anything to the contrary in this Seller's Guide, Correspondent shall not have any obligation with respect to any Confidential Information of Merchants, or any portion thereof, which Correspondent can establish by competent proof: (i) is or becomes generally known to companies engaged in the same or similar businesses as Merchants and Correspondent on a non-

d. Confidentiality; Privacy of Consumer Information (cont.)

confidential basis, through no wrongful act of Correspondent; (ii) is lawfully obtained by Correspondent from a third party which has no obligation to maintain the information as confidential and which provides it to Correspondent without any obligation to maintain the information as proprietary or confidential; (iii) was known prior to its disclosure to Correspondent without any obligation to keep it confidential as evidenced by tangible records kept by Correspondent in the ordinary course of its business; (iv) is independently developed by Correspondent without reference to Merchants' Confidential Information; or (v) is the subject of a written agreement whereby Merchants consents to the use or disclosure of such Confidential Information.

If Correspondent or any of its representatives shall be under a legal obligation in any administrative, governmental, or judicial circumstance to disclosure of (or to disclose) any Confidential Information, Correspondent shall give Merchants prompt notice so Merchants may seek a protective order and/or waive the duty of nondisclosure; provided that in the absence of such order or waiver, if Correspondent or any such representative shall, in the opinion of its counsel, stand liable for contempt or suffer other censure or penalty for failure to disclose, disclosure pursuant to the order of such tribunal may be made by Correspondent or its representative without liability hereunder.

For as long as Correspondent continues to possess control of Confidential Information furnished by Merchants, and for so long as the Confidential Information remains unpublished, confidential, and legally protectable as the property of Merchants, except as otherwise specified herein, Correspondent shall make no use of such Confidential Information whatsoever, notwithstanding the expiration of the Agreement. Correspondent acknowledges and understands that the termination or expiration of the Agreement shall not be deemed to give either a right or license to use or disclose the Confidential Information of Merchants. Any materials or documents, including copies which contain Confidential Information, shall be promptly returned or destroyed as may be necessary to prevent disclosure of Confidential Information to third parties.

Correspondent acknowledges that the unauthorized disclosure or use of any Confidential Information may cause immediate or irreparable injury to Merchants, and that Merchants may not be adequately compensated for such injury in monetary damages. Correspondent therefore acknowledges and agrees that, in such event, Merchants shall be entitled to seek any temporary or permanent injunctive relief necessary to prevent such unauthorized disclosure or use, and consents to the jurisdiction of any federal or state court of competent jurisdiction for purposes of any suit hereunder and to service of process therein by certified or registered mail, return receipt requested.

"Confidential Information" shall mean and include information about hardware, software, screens, specifications, designs, plans, drawings, data prototypes, discoveries, research, developments, methods, processes, procedures, improvements, "know-how", compilations, market research, marketing techniques and plans, business plans and strategies, customer names and other information related to customers, price lists, pricing policies and financial information or other business and/or technical information and materials, in oral, demonstrative, written, graphic or machine-readable form, which is unpublished, not available to the general public or trade, and which is maintained as confidential and proprietary information by Merchants for regulatory, customer relations, and/or competitive reasons. Confidential Information shall also include such confidential and proprietary information or materials belonging to Merchants (or its contractors) or to which Correspondent may obtain knowledge or access through or as a result of the performance of its obligations under the Agreement. Confidential Information also includes any information described above which Merchants (or its contractors) has obtained in confidence from another party who treats it as proprietary or designates it as Confidential Information, whether owned, or developed, by Merchants (or its contractors) or not. Without limiting the foregoing, Confidential Information shall include all such information provided to Correspondent both before and after the date of the Agreement.

e. Portal Access and Terms of Use

Merchants licenses certain digital lending platform software ("Portal") from one or more third parties providers to support and facilitate Correspondent's offering of Loans to Merchants. Correspondent's access to and use of the Portal is subject to the Agreement and this Seller's Guide, including the following:

i. **Access to Portal**. Correspondent is granted a limited right to access the Portal as permitted by Merchants and its third party providers to enter and upload data relating to Loans to be sold by Correspondent to Merchants under the Agreement. This right to access the Portal is not a license or sublicense to the Portal but is solely derivative of Merchants' rights under its license.

ii. **Conditions to Access.** To gain access to the Portal, Correspondent must obtain a user name and password ("Access Credentials") issued by Merchants. Merchants reserves the right to revoke or deactivate any Access Credentials at any time. Correspondent shall designate an authorized representative to establish and maintain its list of authorized users of the Portal. Correspondent shall immediately notify Merchants of any change in its authorized representative. Correspondent's authorized representative shall only appoint persons to be authorized users where such person has a need to access the Portal for the purposes set forth in the Agreement and this Seller's Guide. The authorized representative shall be responsible for any changes, additions, or deletions to the list of authorized users. Access Credentials are not transferable between authorized users. Correspondent is solely responsible for all actions of its

authorized representative and any authorized users. Merchants may rely on the authority and directions of the authorized representative without further inquiry. Correspondent is solely responsible for safeguarding security, confidentiality, and access to Access Credentials and for implementing controls to prevent unauthorized use of the Portal. Correspondent shall not permit unauthorized individuals to use any Access Credentials to access the Portal. Correspondent's authorized users shall not share their Access Credentials with anyone else. Correspondent shall immediately notify Merchants of any unauthorized use of any Access Credentials or of any other breach of security. Correspondent shall ensure that Correspondent and its authorized users will log off from the Portal at the end of each session. Correspondent shall deactivate Access Credentials for each user who later is not an authorized user or in the event such user's employment or role changes such that the user's access to the Portal is unnecessary or inappropriate. Correspondent acknowledges that Merchants has no obligation, other than confirming use of the correct Access Credentials, to identify, confirm or otherwise authenticate the authority of the end user using such Access Credentials. Correspondent is solely responsible for all data, requests, approvals, and other transactions initiated within the Portal using Access Credentials issued to Correspondent and is liable for any errors or omissions relating to any such information placed within the Portal by Correspondent, even if such user is not authorized by Correspondent or Correspondent's authorized representative. Merchants is entitled to rely on all data, requests, approvals, and other information made within the Portal through Access Credentials issued to Correspondent. Correspondent is solely responsible for ensuring all information relating to any Loan to be sold by Correspondent to Merchants and entered by Correspondent in the Portal is complete, true, and accurate.

iii. **Protection of Intellectual Property.** Subject to this Seller's Guide, Correspondent may use and access the Portal for the purpose for which it is intended. Correspondent acknowledges that the Portal, including all copyrights, trademarks, trade names, trade secret or patent rights therein, are owned and copyrighted or licensed by Merchants or its third-party providers. Correspondent shall use good faith efforts to protect such intellectual property from misuse. Correspondent shall not: (1) copy, modify, alter, create derivative works, or distribute any portion of the Portal; (2) rent, lease, provide access to, or provide use of the Portal to any other person other than its authorized representative and authorized users; or (3) transfer any of its rights hereunder to any third party. Correspondent shall not authorize, sanction, permit, condone, or tolerate any copying, reproduction, printing, imaging, distribution, circulation or any other use of the Portal in any manner other than as specifically described in this Seller's Guide. In the event of any violation of this Section 1.e., Correspondent shall promptly inform Merchants in writing of the same, and shall use reasonable efforts to collect and retain confidentially all such materials that then exist and prevent any further violation. Merchants may use and analyze all data generated from use of the Portal to audit use of the Portal, to operate and improve the Portal, and for any other purposes within Merchants' ordinary business activities.

iv. **Waiver; Links to Third Party Sites.** Correspondent acknowledges and agrees the Portal is not designed as, and is not intended to be used as, a means for Correspondent to meet any record keeping requirements Correspondent may have under Applicable Law. Correspondent acknowledges and agrees that Correspondent uses the Portal at its own risk. Neither Merchants nor its suppliers or any of their Affiliates warrant or represent that the Portal will be uninterrupted or error free. Nor do they make any warranty or representation as to the results that may be obtained from the use of the Portal or, as to the accuracy, reliability, or timeliness of the Portal. Merchants and its Affiliates assume no responsibility for any consequence relating directly or indirectly to Correspondent's use of the Portal or to any action or inaction that Correspondent takes based on the Portal.

The Portal may contain hyperlinks to websites operated by parties other than Merchants. Inclusion of hyperlinks by Merchants to other websites does not imply any endorsement of the material on such websites or any association with their operators, and Correspondent accesses and use such websites, including the information, material, products and/or services therein, solely at Correspondent's own risk. Once linked to another website, Correspondent should read that website's terms of use before accessing and using that website.

v. **Indemnification.** Correspondent shall indemnify and hold harmless Merchants and/or its third party providers and each of their Affiliates from any liabilities, losses, claims, damages, fees, expenses, fines and other liabilities, including attorneys' fees, arising from or relating to Correspondent's misuse of the Portal or breach or violation of this Section 1.e. Portal Access and Terms of Use.

f. Outstanding Invoice

Correspondent will be assessed a 5% late fee on any outstanding payments due Merchants that are not received by Merchants within 30 days of the invoice date. An additional 5% late fee will be charged for each subsequent 30 days of non-receipt. Correspondent may dispute in good-faith any outstanding payments reflected on an invoice. Correspondent must submit a written notice detailing such dispute to Merchants within 15 days of the initial invoice date. Upon Merchants' determination that such outstanding payments are due, but that Correspondent's dispute was made in good-faith, Correspondent will have an additional 15 days to make the payment without incurring a late fee.

SECTION TWO: CORRESPONDENT ELIGIBILITY AND APPROVAL

a. General

Correspondent must operate its business and originate, process, sell, and deliver Loans in accordance with Investor and Insurer requirements and guidelines and Applicable Law, including with respect to quality control, underwriting, licensing, insurance, and documentation practices, unless otherwise specified by this Seller's Guide or in writing by Merchants.

b. Application

To become approved to offer Loans to Merchants, Correspondent must submit a completed application in a form prescribed by Merchants together with financial statements, evidence of all qualifications, registrations, licenses, and permits, bond and insurance coverage, and other documentation or information as requested by Merchants, including (i) an officer's certificate or corporate resolution of Correspondent authorizing the individual signing the Agreement to enter into the Agreement on behalf of Correspondent and authorizing specific individuals who have the authority to: (1) enter into Commitments and/or assign and transfer Loan Documents; and (2) appoint other individuals to enter into Commitments and/or assign and transfer Loan Documents; (ii) limited power of attorney documents granting Merchants the authority outlined in the Agreement; and (iii) Correspondent's quality control plan. Merchants may approve or reject Correspondent's application for any reason at its discretion.

c. Net Worth Requirements

Correspondent must meet the following net worth requirements (exceptions may be approved on a case-by-case basis):

- Non-Delegated Loans, Best Efforts Commitments: ≥ $500,000
- Delegated Loans, Best Efforts Commitments: ≥ $1,000,000
- Delegated Loans, Mandatory Commitments: ≥ $1,500,000
- Third-Party Originator: ≥ $2,500,000

Merchants Premium Program

- Non-Delegated Loans: >= $3,000,000
- Delegated Loans: >= $5,000,000

d. Required Financial Statements

Correspondent must provide the following financial statements:

- Previous two (2) years audited financial statements
- Most recent quarter-end interim financial statements

e. Insurance

Correspondent must maintain adequate fidelity bond and errors and omissions insurance in accordance with Investor and Insurer requirements and guidelines and Applicable Law.

f. Re-Certification

Correspondent is subject to annual re-certification as prescribed by the Agreement. To remain an approved Correspondent, Correspondent must satisfy all eligibility requirements and Merchants' requirements regarding Loan delivery volume and Loan fallout, delinquency, defect, and prepayment rates.

g. Suspension or Termination of Selling Privileges

In addition to Merchants' right to terminate or suspend the Agreement, Merchants may, at its discretion, suspend or terminate Correspondent's selling privileges for any reason, including, but not limited to, the following:

- Correspondent fails to meet Merchants' eligibility requirements
- Merchants experiences excessive fallout with respect to Correspondent's Commitments
- Merchants discovers that excessive delinquencies have occurred with respect to Loans purchased from Correspondent

g. Suspension or Termination of Selling Privileges (cont.)

- Correspondent fails to lock any Loans for six (6) months following initial application approval
- Correspondent fails to sell at least $5MM in Loans to Merchants within any three-month period
- Correspondent has outstanding payments due Merchants that are greater than 90 days past due

SECTION THREE: QUALITY CONTROL

a. Quality Control Program

Correspondent must maintain an internal quality control (QC) program that satisfies the Agreement, this Seller's Guide, Investor and Insurer requirements and guidelines, and Applicable Law. Correspondent's QC program must be documented and supported by a written plan that details the objectives and the scope of a QC review and includes adequate policies and procedures. This written plan must be provided to Merchants upon request. Findings of Correspondent's QC program must also be provided to Merchants upon request in the form of a summary report as distributed to Correspondent's senior management.

b. Minimum Requirements

Correspondent's QC program, as documented, must at a minimum cover the following:

- Accuracy of Loan Documents
- Soundness of underwriting decisions (if applicable)
- Evidence of monitoring for red flags, including any evidence or discovery of fraud and misrepresentation
- Identification of any systemic issues, their root causes and resolution
- Monitoring of corrective action plans in place
- Sound reporting procedures
- Description of sampling methodology, which must include random and high-risk targeted samples and loans that have delinquencies
- A post-closing review that monitors adherence to Investor and Insurer requirements and guidelines

c. Pre-Funding QC on Non-Delegated Loans

Merchants will perform pre-funding QC on 20% of Non-Delegated Loans submitted for underwriting. While pre-funding QC aims not to interfere with any Closing Date, deficiencies must be cured prior to Merchants' purchase of any Loan. If any non-compliance is discovered, Merchants may expand the scope of the QC reviews on Correspondent's Loans to ensure all problem areas are identified. Merchants may deliver periodic reports and require Correspondent to respond to any findings of moderate risk or greater or to any indications of trends toward risk findings. Correspondent will be required to investigate and respond with results and specify corrective actions that will be taken.

d. Loan Document Corrections

Although Correspondent is solely responsible for the correction of all errors and deficiencies in the Loan Documents with respect to any Loan sold to Merchants, in the interest of expediency, Merchants may correct such errors or deficiencies at the expense of Correspondent. Correspondent shall reimburse Merchants for any such expenses within thirty (30) days of demand by Merchants. Merchants' correction of any error or deficiency shall not be deemed as a waiver of any rights Merchants may have with respect to Correspondent in connection with such error or deficiency.

SECTION FOUR: REGISTRATION AND COMMITMENTS

a. Overview; Hours of Operation and Holidays

Each Loan Correspondent offers to Merchants for purchase must be registered and locked in accordance with this Seller's Guide. Merchants' Lock Desk ("Lock Desk") is available to assist Correspondent obtain Commitments.

i. **Lock Desk Staffing Hours.** The Lock Desk is available from 8:00 AM ET to 5:00 PM ET (Monday–Friday, excluding holidays).

- Merchants recognizes those holidays under 5 U.S.C. Section 6103(a), which, at the time of publication of this Seller's Guide, are as follows:
  - New Year's Day
  - Birthday of Martin Luther King, Jr.
  - Washington's Birthday
  - Memorial Day
  - Juneteenth National Independence Day
  - Independence Day
  - Labor Day
  - Columbus Day
  - Veterans Day
  - Thanksgiving Day
  - Christmas Day

ii. Correspondent may contact the Lock Desk using the following contact information:

Email: **lockdesk@bankmerchants.com**

Phone Number: (317) 798-2410

b. Correspondent Portal Access

Correspondent may register and lock Loans and manage existing Locks using the following Portal links:

- Agency, Conventional, & Government Programs: **https://www.evolvemtgs.com/Client/Merchants.asp**
- Merchants Premium Program: **https://tpoportal.bankmerchants.com/portal/**

Although the Portal may be available for access 24/7, live pricing, pricing dependent transactions and modifications, and lock functions are only available during active market hours as determined by Merchants.

c. Pricing and Rate Sheets

Merchants maintains pricing and eligibility in several third-party product and pricing engines including: Optimal Blue, Mortech / Marksman, PriceMyLoan, Encompass Product and Pricing Service (EPPS), PollyEx, and Lender Price.

Generally, Merchants will make pricing available during the hours listed below, excluding weekends and holidays; however, these hours may be subject to change without notice:

- Best Efforts Pricing Availability: 10:30 AM ET to 10:00 PM ET
- Mandatory/Bulk Bid Pricing Availability: 10:30 AM ET to 4:00 PM ET

Correspondent may also obtain rate sheets by emailing the Lock Desk. Due to the volatile nature of the secondary markets, Merchants' pricing is subject to change at any time and without notice. Merchants reserves the right to determine the cutoff times for intra-day pricing changes. During the time period where Merchants is in the process of preparing new rate sheets, all transactions within the Portal will be disabled until the new rate sheet has been published. The final price for any Locks is determined within the Portal, regardless of any incidental variation that may appear in external postings. Merchants does not offer overnight price protection outside of its active market hours, and unless otherwise announced, does not make locking functions available on weekends or holidays.

Please contact your Merchants' account executive for more information on obtaining access to Merchants' content in your pricing engine.

d. Registration/Lock

Individual Loans can be registered in one of the following ways:

- Uploading a Fannie MISMO 3.4 (.xml) file; or
- Manual completion of required fields

After successful registration, Loans will be assigned a Merchants loan number in the Portal. Loans must be registered with a Merchants loan number prior to submission for underwriting with Merchants or Correspondent's approved contract underwriter.

Correspondent can price and lock Loans during or after the registration process. Pricing will be quoted from the current day's rate sheet for the Loan characteristics and delivery timeframe requested for new Locks.

e. Locked Loan Changes

Correspondent is responsible for notifying Merchants of any changes to Locked Loans as soon as a change is discovered. Changes to Locked Loan information must be submitted to the Lock Desk. The Lock Desk may determine a change requires re-pricing of the Locked Loan. The Lock Desk may require additional information to facilitate the change. Merchants monitors changed fields to guard against fraud and to ensure compliance with Applicable Law. Worst-case pricing may apply. See Section 4.n.iii. Re-Lock Fees and Terms, Worst-Case Pricing. for details on worst-case pricing.

Regardless of Loan status, the following fields cannot be changed and may result in worst-case pricing for consistency:

- Borrower's and co-Borrower's names (adding or removing a Borrower may be permitted at Merchants' discretion)
- Borrower's and Co-Borrower's social security numbers
- Property address
- Property state
- Property zip code

For Locked Loans, any changes to the following fields may result in re-pricing:

- Loan Amount
- Loan Purpose
- LTV
- CLTV
- Occupancy Type
- Credit Scores
- Purchase/Sales Price
- Appraised Value
- Other liens or Secondary Financing
- DTI/Back-End Ratio
- Interest Rate
- Amortization Term
- Amortization Type
- Loan Program
- Documentation Type
- Property Type
- Number of Units
- Escrow Indicator
- Mortgage Insurance Indicator
- AUS Engine
- First Time Home Buyer Indicator
- AMI Indicator
- Buydown Indicator
- Months Reserves (MPP only)
- Self-Employment Indicator (MPP only)

f. Errors

Merchants is not responsible for Loan registration or locking errors, omissions, or mistakes made by Correspondent. Correspondent must contact the Lock Desk to report any such errors within 24 hours of registration or locking. Errors reported after this 24-hour period will require that the Loan be re-priced based on worst-case pricing.

g. Mandatory Commitment

Under a Mandatory Commitment, Correspondent commits to deliver a Purchasable Loan to Merchants that conforms to the terms described in the Commitment on or prior to the Expiration Date. Pair-off Fees apply if Correspondent fails to deliver such Loan prior to such Expiration Date. See Section 4.s. Calculation of Pair-Off Fees for details.

The interest rate on a Purchasable Loan may vary up to 0.25% (plus (+) or minus (–)) from the interest rate initially locked under a Mandatory Commitment. However, any such variances will result in re-pricing. Merchants does not accept variances beyond 0.25%.

Merchants offers the following Mandatory Commitment options:

- Bulk Commitments – Correspondent may contact the Lock Desk for a loan-level bid price on a pool of Loans. Pricing and terms may be modified by agreement at the time of the trade. Any such modifications will be included in the Commitment confirmation.

Additional Mandatory Commitment requirements and restrictions:

- Correspondent must receive approval from Merchants to lock Loans under the Mandatory Commitment options. See Section 2.c. Net Worth Requirements for details.
- Mandatory Commitments are available for delegated underwriting only.
- Mandatory Commitments are not available for Merchants Premium Program products.
- The maximum Mandatory Commitment period is 15 days.

h. Mandatory Commitment Delivery Tolerance

The delivery tolerance for all Mandatory Commitments is the greater of: (1) plus or minus one percent (1%) of the original Commitment amount, or (2) plus or minus ten thousand dollars ($10,000). Failure to deliver within tolerance will result in a Pair-off Fee of the amount over or under tolerance.

i. Best Efforts Commitment

Best Efforts Commitments provide Correspondent with the ability to lock in a price for a single Loan for a specific Property and Borrower without incurring Borrower-driven fallout risk. Fallout occurs with respect to a Best Efforts Commitment when Correspondent cancels a Lock, when the Expiration Date lapses prior to the delivery of a Purchasable Loan, or when Merchants rejects a Loan for purchase. For all Locked Loans subject to a Best Efforts Commitment, Correspondent must use best efforts to close and deliver such Locked Loan to Merchants prior to the Expiration Date. If fallout occurs, Correspondent will not incur any Pair-off Fee. However, if the Loan closes, the Lock becomes a Mandatory Commitment and is subject to the pair off policy. Merchants reserves the right to assess a fee for non-delivery if Merchants determines Correspondent did not use best efforts to close and deliver under such Best Efforts Commitment. Merchants actively monitors fallout and may suspend or terminate a Correspondent if excessive fallout occurs.

Correspondent may not assign or transfer a Best Efforts Commitment, in whole or in part, without the prior express written consent of Merchants.

j. Duplicate Lock

Merchants does not allow simultaneous active Locks for the same Borrower(s), Property, and transaction. In the event a duplicate Lock is discovered, the duplicate Lock will be cancelled and the remaining Lock will be subject to worst-case pricing.

k. Licensing

Merchants does not accept Loans in states where Correspondent is not properly licensed to conduct business. In the event Merchants does not have Correspondent's current license or exemption on record, Merchants will not accept Loan registrations or Locks. If Correspondent's licensing is at issue or under review, Correspondent's active Locks will be cancelled and locking ability will be suspended. To re-enable locking ability, Correspondent must deliver evidence of proper state licensing or exemption information to Merchants. Once this information is received and the Portal has been updated to reflect the appropriate licensing status,

k. Licensing (cont.)

Correspondent must submit new Lock requests to the Lock Desk at the current market pricing. Rates from the original request date will not be honored.

l. Lock Confirmation

A "Lock Confirmation" is Merchants written communication to Correspondent confirming that Correspondent's Lock request is accepted. The Lock Confirmation outlines the additional terms and conditions applicable to Merchants potential purchase of the Loan. The Lock Confirmation will be provided via Portal posting. Each Lock Confirmation will provide Merchants' applicable Commitment number and/or Merchants loan number, which Correspondent must include in all future correspondence regarding the Lock.

Correspondent acknowledges that prices in a Lock Confirmation will be those applicable at the time Merchants acknowledges receipt of a complete and acceptable request for a Lock, and that Merchants is not responsible for market changes or other re-pricing events that may have occurred between the time of Correspondent's request and Merchants receipt.

The pricing provided on the Lock Confirmation is subject to change. Changes will affect the final Purchase Price, including changes in Loan characteristics, program eligibility, Lock terms, and fees. Merchants reserves the right to modify its Lock Confirmation should any of the information submitted in the Closing Package differ from the information provided in the Lock request or if the Loan is not a Purchasable Loan. All information in a Lock Confirmation must be accurate and reflective of the most current Loan information. A Lock Confirmation does not constitute Merchants' approval or a commitment to purchase a Loan.

m. Locked Loan Changes Requiring Worst-Case Pricing

Changes to Locked Loans may require re-pricing. In some cases, changes to a Locked Loan require a re-lock and are subject to worst-case re-pricing. The following list includes examples of changes that would be subject to re-lock and worst-case re-pricing:

- Expiration Date passed prior to delivery of complete Closing Package
- Loan in suspense for more than 30 days
- Lock cancelled/denied and new Lock requested for same Property
- Address / Property changes
- Changes to/from Merchants Premium Program products from/to Agency & Government products

This is not an all-inclusive list; Merchants reserves the right to apply worst-case re-pricing at its discretion.

n. Lock Expiration Date

The Expiration Date is the date Merchants' commitment to honor a Lock at a particular interest rate and price expires. Correspondent must submit a complete Closing Package to the Portal on or before 11:59 PM ET on the Expiration Date. If Correspondent fails to deliver by the Expiration Date, Merchants will re-price the Lock subject to worst-case pricing. Any extension requests must be made on or before the Expiration Date, and requests received afterwards are subject to re-lock at worst-case pricing. Correspondent's failure to deliver under a Mandatory Commitment by the Expiration Date will result in a Pair-off Fee.

i. **Holiday or Weekend Expiration Dates.** If the Expiration Date falls on a weekend or federal holiday, Merchants will automatically roll the Expiration Date to the next business day. If an Expiration Date is extended, Correspondent will be charged for the number of continuous calendar days until the next business day. In all cases, the Loan must be closed and disbursed, and the complete Closing Package must be submitted to Merchants by the Expiration Date.

ii. **Re-Locking Expired or Cancelled Locks.** Re-locking Loans with expired Locks are subject to Merchants' re-lock policy described below. If a Locked Loan is cancelled prior to its Expiration Date and then re-locked as a new Loan, the same re-lock fee structure noted below will be applied based on cancellation date rather than the new Expiration Date. Re-locking a Loan that has expired or been cancelled is subject to the following requirements:

   - If the re-lock is requested within 30 calendar days of the Expiration Date or cancellation, whichever is sooner, the Loan will be subject to worst-case pricing plus a re-lock fee
   - If the re-lock is requested more than 30 days after the Expiration Date or cancellation, whichever is sooner, the Loan will be priced at current market without re-lock fee
   - Merchants may deny the original locked rate on an expired Commitment due to market illiquidity
   - Rates not listed on the current rate sheet are illiquid rates and Correspondent may not be able to re-lock them

n. Lock Expiration Date (cont.)

- Loans that have expired and have been re-locked more than once may be subject to additional fees or may become ineligible for re-lock
- Loans that have no activity (submission, conditions, active lock, etc.) for a period of 90 days will be cancelled

iii. **Re-lock Fees and Terms; Worst-Case Pricing.** Worst-case pricing is determined by Merchants based on several factors:

- The requested re-lock period of either 15 or 30 days
- The price on the expired or cancelled Lock
- The rate sheet pricing for the same Loan in effect at time of receipt of the re-lock request
- The current re-lock fees as posted on the daily rate sheets

Once the requested re-lock period (15 or 30 days) is established, comparisons for the same product and interest rate will be made between the most recent expired price (including any prior extension or re-lock fees) and the current rate sheet price for the same Loan characteristics. If current pricing is lower, the re-lock will be processed using the current rate sheet pricing in effect at time of re-lock request, and any applicable re-lock fee will be applied. If the current rate sheet pricing is higher than the original (most recent) expired/cancelled Lock, the re-lock price will be at same price as most recent expired/cancelled Lock, less any applicable re-lock fee.

Re-lock requests must be submitted to Merchants Lock Desk prior to 5:00 PM ET.

iv. **Incomplete Delivery.** If Merchants determines that a Closing Package is missing critical documents, the loan will be moved to an Incomplete Closing Package status and treated as an unacceptable file delivery. If the Expiration Date passes prior to Merchants' receipt of a complete Closing Package, Loan will be subject to lock extension fees. Lock extension fees will accrue from the Expiration Date until a complete Closing Package is received.

v. **Late Delivery.** If Correspondent submits a Closing Package for a Loan where the Expiration Date has passed, Merchants assumes Correspondent is requesting the Loan to be re-locked. Once the Closing Package is received and the Loan has been identified as delivered late, Merchants will automatically re-lock the Loan subject to worst-case pricing. The Expiration Date will be reset to reflect the later of the Closing Package received date, and no additional time will be provided.

o. Lock Extensions

Correspondent may request rate lock extensions within the Portal or by contacting the Lock Desk. Merchants may grant extensions of up to 30 days if requested on or before the Expiration Date. Current extension terms and fees can be found on the daily rate sheet. Correspondent must request extensions of longer than 30 days through the Lock Desk. Automated extensions within the Portal may be disabled at any time without notice. In these circumstances, please contact the Lock Desk for extension options.

All rate lock extensions are calculated in continuous calendar days. Merchants has the right to refuse extensions at any time for any reason, including current market conditions or changes in product eligibility or guidelines. Correspondent must notify Merchants of any erroneous extension requests prior to 5:00 PM ET on the same day as the request. Requests for changes after this time will not be permitted. Extension fees are subject to change without notice. Merchants may impose additional fees or higher extension fees for any exceptions to this standard extension policy.

p. Lock Renegotiation Policy

When market conditions result in original lock prices being significantly worse than current market prices, Correspondent may face resistance from Borrowers to close under their original lock terms. Borrowers may be "shopping" rates and requesting improved terms or withdraw their Loan requests to go to a competitor. In an effort to assist Correspondent in retaining their Borrowers in these circumstances, Merchants may consider a one-time lock renegotiation option, subject to the requirements detailed below.

Merchants may consider a renegotiation of current Lock terms under the following conditions:

- The current rate sheet 30-day base price for the interest rate that is one-quarter of one percent (0.25%) lower than the locked interest rate is equal to or greater than the original lock price
- For Non-Delegated Loans, the Locked Loan must be submitted and conditionally approved by Merchants
- The Loan will close, fund, and deliver within 15 calendar days or less

p. Lock Renegotiation Policy (cont.)

If these conditions are met, Correspondent may request renegotiation of their lock terms as follows:

- Rate must be reduced by one-quarter of one percent (0.25%) or more
- Renegotiated price will be current 30-day rate sheet price for the new rate, less a renegotiation fee determined at Merchants' discretion, subject to a minimum of -0.5%
- Renegotiated price will be subject to Loan Level Price Adjustments (LLPA) that are in effect when the request is received, less any prior accumulated extension, re-lock, or other fees
- New Expiration Date will be original Expiration Date or 15 calendar days from date of renegotiation, whichever is less—no extensions after renegotiation will be permitted
- Renegotiated price cannot exceed the original lock price
- For Non-Delegated Loans, a condition will be added to approval requiring a copy of revised Loan Estimate provided to Borrower with improved rate prior to being "Cleared To Close"
- Loans may only be renegotiated one time

Grant of renegotiation option is at the sole discretion of Merchants. Market conditions or other factors may affect availability. Each renegotiated Loan must be delivered prior to the new Expiration Date, or the Loan will require a re-lock under the standard re-lock policy. Renegotiation requests must be submitted via email to the Lock Desk prior to 5:00 PM ET to be honored that business day. Inquiries regarding Loan eligibility and quotes for a renegotiation do not constitute a request for renegotiation.

q. Suspense Fees

All Loans must be delivered with a complete Closing Package as detailed in Exhibit B. If Merchants determines a deficiency exists, the Loan will be suspended until all deficiencies have been cleared. Correspondent may incur suspense fees if Merchants does not receive all documentation and information needed to purchase the Loan within the following timeframe:

- Seven (7) calendar day grace period from the later of the Expiration Date or the date that the initial review of the Closing Package was completed
- If the initial outstanding deficiencies/suspense items are not resolved by the end of the specified grace period, suspense fees will accumulate on a per diem basis until Merchants determines that the Closing Package is complete and the Loan is a Purchasable Loan. For MPP Loans, the Portal status would display Final Purchase Review.

Suspense fees are calculated as follows:

- No suspense fees apply during the seven (7) calendar day grace period (day of Closing Package review not included in grace period)
- Clear Date is defined as the day the last suspense item is cleared by Merchants to approve the Loan for funding
- Suspense fees will not be calculated and reflected in pricing until Loan is moved to an Approved for Funding/Purchase status. For MPP Loans, the Portal status would display Loan Purchased.
- If a Loan has been accruing suspense fees for more than 30 days, Merchants may cancel the lock, and return the Loan to Correspondent, or allow further aging. For any loan permitted to age beyond 30 days, the Loan will accrue at an increased rate of 3 bps per day beginning on day 31 and continuing until all conditions have been cleared. If conditions cannot be cleared, then Merchants will cancel the lock and return the Loan to Correspondent, and a pair-off fee may be assessed.
- For Loans locked prior to Monday, March 2, 2026, Merchants' current per diem suspense fee is 1.5 bps per day. For Loans locked on or after Monday, March 2, 2026, Merchants' per diem suspense fee will be 2 bps per day. This fee is subject to change at any time.

r. Withdrawing or Cancelling Loans; Declined Loans

Correspondent may request Merchants to cancel or withdraw a Loan. Once cancelled or withdrawn for any reason, a Loan immediately ceases to be price- or guideline-protected. There can be no reinstatement of that specific loan number. Should Correspondent request a Loan reinstatement and Merchants approves, the Loan will be re-registered and re-priced according to worst-case pricing and all extension fees will remain. Correspondent must contact the Lock Desk to cancel a lock and/or request a pair-off for Mandatory Commitments.

To ensure Merchants' compliance with ECOA and HMDA, all Loans underwritten by Merchants or Correspondent's approved contract underwriter that result in a declination may be cancelled if they remain in a declined status for more than 20 calendar days, regardless of the Expiration Date. Resubmissions after the cancellation date will require a new registration and underwriting submission. The new Loan will be subject to worst-case pricing review if locked within 30 days after the cancellation has been processed (regardless of when the Loan was declined).

s. Calculation of Pair-off Fees

Pair-off Fees apply if Correspondent fails to deliver a Purchasable Loan under a Mandatory Commitment by the Expiration Date, including any extensions. If a Mandatory Commitment expires prior to delivery, the Loan will automatically be paired off on the next business day following the Expiration Date. The following Pair-off Fee policies and calculations apply:

- If a Locked Loan is declined for purchase by Merchants or Correspondent cancels or withdraws Locked Loan, the current market price used to determine the Pair-off Fee is the current mandatory market price for the Loan being paired off. If cancellation requests are made outside of Lock Desk staffing hours, the current market price used in the Pair-off Fee calculation will be the current mandatory market price on the following business day
- If the current market price has increased, the Pair-off Fee % is the full difference between the original locked base price, adjusted for any suspense or extension fees, and the current market base price, plus a minimum charge of 0.0625%
- If the current market price has declined, the minimum Pair-off Fee is 0.0625%
- Any applicable extension or suspense fees will also be included in the Pair-off Fee
- The Pair-off Fee % will be multiplied by the original Commitment amount to determine the total dollar amount of the fee owed to Merchants
- A Pair-off Fee invoice will be generated by Merchants and sent to the Correspondent's primary contact. Pair-off Fee invoices are due within 30 days of receipt

t. Seasoned Loans

Seasoned Loans are not eligible for purchase by Merchants without the prior approval of the Lock Desk. Seasoned Loans are Loans delivered 45 or more days beyond the Closing Date. If approved, the Lock Desk will determine pricing. The Merchants Premium Products have different seasoning limits, please consult the MPP Underwriting Guide for details

u. Exception Pricing

In situations where guideline exceptions have been granted by Merchants, the Correspondent's original Lock pricing will be adjusted to account for the additional risk of the transaction. The amount of the pricing adjustment will be determined on a case-by-case basis after the eligibility exception has been approved. The revised exception pricing will be communicated to Correspondent and an updated Lock confirmation will be posted to the Portal reflecting the revised pricing.

v. Resolution

Any contingency, issue, process, scenario, or dispute not covered in this Seller's Guide is subject to review by the Lock Desk. Correspondent is encouraged to call the Lock Desk with questions or pricing issues.

SECTION FIVE: UNDERWRITING APPROVAL AND RESPONSIBILITIES

a. General

Merchants may approve Correspondent to offer Non-Delegated Loans and/or Delegated Loans for Merchants' purchase. Correspondent's underwriting authority is granted and is revocable at Merchants' discretion. Correspondent is responsible for the performance of requirements and obligations contained in this Seller's Guide, even if the requirement or obligation is performed by a third party. Refer to the applicable Loan program summaries and product matrices for any overlays.

b. Non-Delegated Loans

Merchants will underwrite Non-Delegated Loans to Investor and Insurer requirements and guidelines. Prior to Merchants' purchase of Non-Delegated Loans, Correspondent must receive all necessary approvals and satisfy all conditions set by Merchants.

i. **Correspondent Responsibilities.** Notwithstanding anything to the contrary, with respect to Non-Delegated Loans, Correspondent is solely responsible for:

- submitting a complete Credit File sufficient for Merchants to complete its underwriting review
- managing pipeline Expiration Dates to provide adequate time for Merchants to complete its underwriting
- ensuring that all prior-to-close and post-closing items needed to satisfy requirements as identified by Merchants are timely satisfied
- satisfying stipulations or conditions to Merchants' underwriting approval
- ensuring that each Loan is originated, processed, closed, and delivered in accordance with the Agreement, this Seller's Guide, Investor and Insurer requirements and guidelines, and Applicable Law

ii. **Merchants Responsibilities.** Notwithstanding anything to the contrary, with respect to Non-Delegated Loans, Merchants will perform the following:

- reviewing income, assets, and credit documentation to analyze a Borrower's creditworthiness and ability to repay in accordance with Applicable Law and confirm a Borrower meets applicable down payment or reserve requirements
- reviewing the appraisal, if applicable, to confirm that the Property value is supported and that the Property meets Investor and Insurer requirements and guidelines
- reviewing automated underwriting system (AUS) finding requirements, if applicable
- reviewing the title report and other public information for potential issues regarding liens on or legal ownership of the Property
- reviewing the sales contract on purchased Loans to confirm the Borrower is the only purchaser of the Property
- evaluating debt-to-income (DTI), loan-to-value (LTV), combined loan-to-value (CLTV) and other applicable ratios
- completing any required underwriting worksheets and income calculations, if applicable
- determining and documenting items needed to satisfy Investor and Insurer requirements and guidelines related to the underwriting review and communicating those to Correspondent
- satisfying all ECOA and HMDA regulatory requirements of a purchasing financial institution making the credit decision related to the Loans
- verifying and approving stipulations or conditions once additional documentation is provided by the Correspondent or the processor; and
- if Merchants determines that the Borrower does not meet the requirements for the applicable loan program as reflected in the Credit File, communicating the principal reasons to Correspondent for Correspondent's use in the event that Correspondent ultimately determines to take adverse action for the reasons cited and delivers an adverse action notice

c. Delegated Loans

For Delegated Loans, Loan approvals are granted by Correspondent prior to purchase by Merchants. "Delegated Underwriting" status is granted separately in writing by Merchants. Even if Correspondent is approved to offer Delegated Loans, some programs or products may still require Merchants' prior approval. 4th Party loans are ineligible for Purchase. Refer to the applicable program summaries and product matrices for details.

SECTION SIX: AGENCY CONVENTIONAL PROGRAM

a. Overview

For Fannie Mae products, Correspondent must follow the Fannie Mae Selling Guide, as amended at **selling-guide.fanniemae.com**. Without exception, all Loans delivered by Correspondent under Fannie Mae programs must be eligible for sale to Fannie Mae. Merchants has few overlays and deviations from Fannie Mae guidelines. See program summaries and product matrices for details.

For Freddie Mac products, Correspondent must follow Freddie Mac Single Family Seller/Servicer Guide, as amended at **www.freddiemac.com**. Without exception, all Loans delivered by Correspondent under Freddie Mac programs must be eligible for sale to Freddie Mac. Merchants has few overlays and deviations from Freddie Mac guidelines. See program summaries and product matrices for details.

b. Eligible Loans

Merchants accepts Loans that meet the qualified mortgage (QM) safe harbor standard as defined in Section 129C of the federal Truth in Lending Act, 15 U.S.C. 1639c, and as further defined in Regulation Z (12 C.F.R. Part 1026.43) and in the implementing rules of the CFPB and Investor and Insurers.

c. Eligible Property and Occupancy Types

See program summaries and product matrices for details on eligible property and occupancy types.

SECTION SEVEN: GOVERNMENT PROGRAM

a. FHA Loans

i. Approval. To offer FHA Loans, Correspondent must be either:

- An approved principal agent with HUD with a direct endorsement approval; or
- An approved sponsored originator with the ability to close FHA loans—Title II approval with the DE status of "Eligible for Pre-Closing"

Correspondent must submit its HUD approval letter to Merchants. Merchants will obtain the HUD Default/Claim Performance report through FHA Connection. Correspondent must have a satisfactory Default/Claim Performance metric.

ii. Overview. For FHA products, Correspondent must follow the requirements of FHA Single Family Housing Policy Handbook 4000.1, as amended. Without exception, all Loans delivered by Correspondent under FHA programs must be eligible for insuring by FHA. Merchants has few overlays and deviations from FHA guidelines. Merchants does not accept Test Case Loans. See program summaries and product matrices for details.

iii. Correspondent's Responsibilities

- Loan Processing
  - Case Numbers are to be ordered showing Correspondent as the principal and originator or as sponsored third-party originator with Merchants as the authorized agent. Case number transferred to Merchants at the time of Loan submission. **Merchants' Originator ID is: 00293-0000-7**
  - Case Numbers must be complete—no holds tracking
- Appraisal Logging in FHA Connection
  - Release appraisal to Merchants
  - Upload appraisal to Electronic Appraisal Delivery (EAD) Portal
  - Condominium approval must show on the case assignment
  - CAIVRs and LDP/GSA should be noted on the Loan transmittal
  - On a refinance, the Refinance Authorization from FHA must be included in the Loan File
- Loan Closing
  - Collect the Upfront Mortgage Insurance Premium (UFMIP) Post-Closing
  - Remit UFMIP to FHA no later than 10 days after Disbursement Date
  - Non-Delegated Loans: Merchants submits Loan to HUD for insuring
  - Delegated Loans: Correspondent submits Loan to HUD for insuring
  - Delegated Loans: Correspondent to forward mortgage insurance certificate (MIC) to Merchants
- Post-Closing
  - Remit UFMIP to FHA no later than 10 days after Disbursement Date
  - Delegated Correspondents to submit case binder to FHA-HOC for insuring.
  - Provide MIC to Merchants.
  - Merchants will submit Non-Delegated Loans for insuring within 60 days of Closing Date.

iv. Required Documents. All Loan Files must contain:

- Satisfactory FHA Case number assignment — "All Borrowers have been Validated Successfully"
- CAIVRS print out, if not on case assignment
- All required FHA disclosures
- Evidence of appraisal logging
- Evidence of remittance of UFMIP—or Case Query showing remittance
- Refinance Authorization/Netting Authorization (FHA to FHA refi)
- Delegated Loans: evidence of submission of case binder for insuring

b. VA Loans

i. **Overview.** For VA products, Correspondent must follow the VA Lenders Handbook, as amended. Without exception, all Loans delivered by Correspondent under VA programs must be eligible for guaranty by VA. Merchants has few overlays and deviations from VA guidelines. See program summaries and product matrices for details.

ii. **Correspondent's Responsibilities**

- Delegated Loans
  - Provide VA approval letter
  - Provide and keep an active VA ID number
  - Be a supervised lender or non-supervised automatic authority lender. Maintain appropriate number of LAPP SARs and VA approved underwriters for current volume
  - Maintain good standing with VA
  - Correspondent must submit Loan to VA and show insured within 40 days of Closing Date
- Non-Delegated Loans
  - Correspondent must provide a $100 fee payable to Merchants for VA sponsorship. This must be paid prior to submission of any VA Loans to Merchants
  - Correspondent must order appraisal through WEBLGY
  - When Correspondent is notified that the appraisal is uploaded, pull and image to Portal immediately for SAR UW to review
  - The SAR must complete review and issue an NOV within 5 days from appraiser's upload
  - Underwriting requires at least 48 hours for review; Correspondent must upload within the first 48 hours of notification from VA
- Both Delegated and Non-Delegated Loans
  - Case numbers are to be ordered and showing Correspondent as the Originator with Merchants as the authorized agent. Case number transferred to Merchants at time of Loan submission. **Merchants Bank ID: 7174630000**
  - Loan and all required documentation transferred to Merchants at time of delivery: Non-Delegated Loans: Credit File; Delegated Loans – Closing Package upload
  - Upload appraisal to VA Portal with completed NOV
  - Clear CAIVRs to be noted on the Loan analysis
  - Cash-Out Refinance is limited to 90% LTV, including financed funding fee
  - Correspondent to remit funding fee no later than 10 days after Disbursement Date, and provide proof of submission to Merchants

iii. **Required Documents**

- All Loan Files must contain:
  - Satisfactory Case Number Assignment
  - Clear CAIVRS
  - DD-214
  - Certificate of Eligibility (COE) reflecting current eligibility
  - All required VA disclosures, per VA loan product
  - Notice of value (Merchants completes for Non-Delegated Loans)
  - Funding fee remittance
  - Submission of Loan to VA for insuring (Merchants completes for Non-Delegated Loans)

c. USDA Loans

i. **Overview.** For USDA Loans, Correspondent must follow the USDA Handbook(s) as amended. Without exception, all Loans delivered by Correspondent under USDA programs must be eligible for guarantee by USDA. Merchants has few overlays and deviations from USDA guidelines. See program summaries and product matrices for details.

ii. Correspondent's Responsibilities

- Non-Delegated Loans
  - Set-Up
    - Email Client Manager your USDA Approval Letter (RD3555-16)
    - Correspondent must provide eAuthentication ID for each user that needs to be set up (*typically it is an email address, but if Correspondent has had one prior to 2019 it could be any user name created. After 2019, GUS required email addresses*)
    - First and last name of the user(s)
    - User's email address
    - Phone number registered with USDA
    - Company Tax ID (this is the USDA ID and should also be on the approval letter)
    - Branch ID
    - Office address used when requesting USDA approval
  - Loan Submission
    - Complete initial submission to GUS matching Loan Documents on file with findings of Accept/Eligible
    - Submit completed Loan submission including appraisal, title policy, homeowners' insurance, etc.
    - Release GUS findings to Merchants
    - Run CAIVRS and LDP/SAM. Correspondent to provide proof that the Guarantee Fee and $25 Technology Fee have been paid
    - Final GUS findings with Accept/Eligible, Loan Documents, and all USDA required documents must match
    - Obtain Loan Note Guarantee and forward to Merchants
    - Complete the Lender Record Change with 15 days of the Purchase Date
    - If Correspondent fails to disclose the USDA upfront loan guarantee fee or guaranteed annual fee, or if USDA fees are inaccurately disclosed in excess of any applicable regulatory tolerances, the under-disclosure or inaccurate disclosure must be cured. If this cannot be cured, then the Loan is not eligible for sale to Merchants
    - Merchants will perform the following:
      - Final submission to GUS prior to issuing Clear to Close (CTC)
      - Deduct the upfront USDA Loan guarantee fee and technology fee from purchase advice and request the Loan Note Guarantee
      - Submit loan for insuring

SECTION EIGHT: MERCHANTS PREMIUM PROGRAM

a. Overview

Refer to the Merchants Premium Program Underwriting Guide for specific underwriting guidance. Where the Merchants Premium Program Underwriting Guide is silent on a topic, agency guidelines apply. To the extent there is inconsistency between the agency guidelines and the Merchants Premium Program Underwriting Guide, the Merchants Premium Program Guidelines shall govern.

b. Curtailment Purchase Price Protection Fee

With respect to any Loan for which aggregate curtailments exceed $50,000 within one hundred eighty (180) days of the Purchase Date, Correspondent will reimburse Merchants a Curtailment Purchase Price Protection Fee equal to the percentage paid over Par (premium) times the curtailment amount. Such funds shall be remitted to Merchants or its designee by wire transfer of immediately available funds within three (3) Business Days of Merchants' demand.

c. Loan Recast

Loan recasts are ineligible for the Merchants Premium Program.

SECTION NINE: COMPLIANCE

a. Overview

Correspondent must review and submit each Loan in strict compliance with the Agreement, this Seller's Guide, Investor and Insurer requirements and guidelines, and Applicable Law. Correspondent should consult with its own legal or compliance counsel to ensure that all Loans sold to Merchants are fully compliant. Correspondent should not rely on Merchants to advise Correspondent of developments in Investor and Insurer requirements and guidelines or Applicable Law.

b. Points and Fees

Merchants does not accept Loans that are "high-cost mortgages" covered by Section 32 of Regulation Z (12 C.F.R. Part 1026.32). Correspondent must submit a fully completed "points and fees" detail form on all Loans submitted for purchase. Correspondent can provide this information by including one of the following in the Loan File:

- Merchants Fee Details Form
- Ellie Mae's Mavent Compliance Report
  - Note: the Mavent Compliance Report must include the Expanded Fee Details
- A review of vendor forms to ensure they contain the required Loan level data
- Similar points and fees forms (i.e., one generated from a LOS system), provided the form contains all required Loan level data

c. Higher-Priced Mortgage Loans

Merchants does not accept Loans that are "higher-priced mortgage loans" covered by Section 35 of Regulation Z (12 C.F.R. Part 1026.35). For all Loans, Correspondent must provide Merchants with evidence of the date the Borrower locked the interest rate for the transaction. Merchants does not purchase subordinate lien transactions.

d. Appraiser Independence Requirements

Merchants does not accept Loans where the appraisal was transferred from another lender (with exception of FHA and VA Loan requirements for appraisal transfer).

SECTION TEN: PRE-PURCHASE DUE DILIGENCE

a. Application (URLA)

- Merchants requires a completed fully executed URLA
- Initial and final URLAs must be provided in the Loan File
- All HMDA data must be completed

b. Documents Eligible for Electronic Signatures (eSignatures)

- Certain Loan Documents with e-signatures may be eligible for delivery to Merchants provided they comply with Applicable Law, Investor or Insurer requirements and guidelines, and/or Merchants requirements. Merchants accepts the following Loan Documents signed using an e- signature:
  - Application documents associated with the URLA (i.e., initial disclosures, sales contract) may be signed electronically. Correspondent is responsible for determining that the documents have been properly signed by all parties under the Uniform Electronic Transactions Act or the Electronic Signatures in Global and National Commerce Act, as applicable.
  - Merchants does not permit e-signatures on: Note, Mortgage, any riders to the Mortgage, or power of attorney.

c. Loan Estimate

- Loan estimate (LE) form H-24G required on all Loans with Applications on or after 10/3/15
- LE must show all borrowers on any refinance of a primary residence
- LE must show at least the primary borrower on purchase of primary residence, refinance of second home and investment property

d. Credit Report

A complete credit report is required on all Loans. If there are fraud or identity alerts on a credit report, an identity verification form is required.

e. Verification of Employment

A verbal verification must be performed within 10 business days prior to the Closing Date, or for escrow states, the Purchase Date. The phone number of the employer must be obtained independently and should not be taken from the Application. The employer should be contacted, and Correspondent must verbally confirm the Borrower's current employment status and job title. A verbal verification form must specifically document the following information:

- Date of the verification
- Source used to obtain the phone number (i.e., directory assistance, internet, etc.)
- Name and title of person at the employer's office who confirmed the employment
- Name and title of the person who completed the verbal VOE
- Exception: If the Borrower is in the military, a leave and earnings statement (dated within 30 days of the Closing Date) may be used in lieu of the verbal VOE

If the employer will not verbally verify the employment but uses a third-party verification source (i.e. The Work Number), this will be acceptable to Merchants. Correspondent must request the verification from the third party within 10 business days prior to the Closing Date. The information provided by the third party must indicate it has been updated within the past 35 days.

f. Verbal Verification of Employment for Self-Employed

Correspondent must verify the existence of the Borrower's business within 30 calendar days prior to the note date, or for escrow states, the Purchase Date. This verification must be made with a third party, such as CPA, regulatory agency, or applicable licensing bureau. It is also necessary to verify the phone listing and address for the business. The written verbal VOE form should include:

- Date of the verification
- Source of verification of the phone listing and address of the business (i.e., internet)

f. Verbal Verification Of Employment for Self-Employed (cont.)

- Name and title of CPA or details of other source used to verify the business
- Name and title of the person who completed the verbal VOE

g. Income and Debt Worksheet

The Income and Debt Worksheet is used to help the reviewer determine stable monthly income for qualification. The worksheet is not intended to capture all underwriting requirements and documentation standards but will help the reviewer consider income trends and document how the income was calculated. Correspondent must review guidelines and documentation to access whether income is reasonable and properly documented. This Seller Guide, program summaries, and product matrices provide detailed information on income documentation and standards

- The worksheet will provide a total of all income considered on the Application. Comments on the worksheet can be included to show how income was calculated or to identify unique notes specific to the calculation of income. This worksheet can be used for non-self- employed income. For Borrowers who are self-employed or receive income from real estate activities, a self-employed analysis worksheet (i.e., Fannie Mae 1084, or Freddie Mac 91) must be used.
- All loans submitted to Merchants for purchase must include an income calculation breakdown. Merchants highly recommends the use of an Income and Debt Worksheet (for self-employed employed borrowers the Fannie Mae 1084 or Freddie Mac 91), but will also accept:
    - Correspondent may use a comparable worksheet to document income provided the worksheet details and clearly documents how income was calculated; or
    - The 1008 transmittal summary will be acceptable for salaried borrowers in lieu of a separate calculation worksheet, provided the transmittal summary reflects the formal calculation for all income used to qualify

h. Taxes and Tax Forms

i. **W-9 Form.** Required to be signed by the primary Borrower.

ii. **Tax Transcripts-Agency Program**
- A 4506-C must be signed at closing on all Agency Program Loans
- If using self-employment income to qualify, the file must contain evidence from the IRS to validate the income reported on the tax return/s provided

iii. **4506-C Form**
- The 4506-C form to be completed with signatory attestation box checked, signed, and dated by the borrower/s with the initial compliance disclosures. This is required for personal tax returns.
- The 4506-C form to be completed with signatory attestation box checked, signed, and dated by the borrower/s with the closing documents. This is required for personal returns and if the borrower/s are self-employed & income being used in qualifying, a 4506-C must be completed in the name of the business.

iv. **Borrower Consent to the Use of Tax Return Information.** Required in all Loan Files.

i. Social Security Number Verification Form

DU and Fannie Mae's Loan Delivery system may identify data integrity issues pertaining a Borrower's Social Security number. Correspondent must take steps to resolve any issues, including numbers not issued, Borrower age/issue date discrepancies, or Social Security numbers associated with deceased individuals. If Correspondent cannot resolve any Social Security number inconsistencies:

- The SSN accuracy must be confirmed, and if incorrect, the SSN must be updated, and the loan case file resubmitted to DU. If the SSN is determined to be correct, it must be verified directly with the SSA (direct validation by a third party is acceptable), and the Loan must be delivered with SFC 162. If the SSN cannot be validated with the SSA, the Loan is not eligible
- If verification with the Social Security Administration is required, the Authorization for the Social Security Administration to Release Social Security Number Verification form SSA-89 must be completed by the Borrower
- The completed form as well as the Social Security Administration's response must be contained in the Loan File

j. Occupancy Certification

A signed occupancy certification is required on all Conventional Loans locked where the occupancy type is a primary residence or second home, and DU/LP issues an Occupancy Finding or is required per underwriting approval.

k. Prior Lien Validation

- Merchants will verify that all prior liens have been satisfied on refinance transactions and will purchase the Loan once the payoff has been validated
- The payoff statement must be included in the Loan File

l. GSA, LDP, and Exclusionary Lists

- Merchants does not accept Loans where any company or individual who is a material party to the transaction is a confirmed match to HUD's "Limited Denial Participation" (LDP) list
- Merchants does not accept Loans where any company or individual who is a material party to the transaction is a confirmed match to the federal General Services Administration (GSA) Excluded Party list
- Merchants does not accept Loans where any company or individual who is a material party to the transaction is a confirmed match to the Freddie Mac Exclusionary List
- Merchants does not accept Loans where any company or individual who is a material party to the transaction is a confirmed match to the OFAC Specially Designated Nationals (SDN) list

m. Appraisal

- Form C-9, Disclosure of Right to Receive a Copy of Appraisal with language: "We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost" must be executed and contained in the Loan File
- Correspondent must provide evidence that Borrower is provided a copy of all written appraisals and valuations promptly upon their completion or three business days before consummation, whichever is earlier
- The Borrower cannot be charged a fee to receive a copy of their appraisal. If this fee is shown on the CD, Merchants will require a refund to the Borrower prior to purchase
- Appraisal must be signed
- Check AUS findings & product matrices to determine which appraisal form is required
- Follow Investor and Insurer requirements and guidelines
- Appraiser license is required and must be active and not expired
- Appraisal must be "As-Is", if not:
  - Completion Certification (442) with original photos is required (for 1st Mortgage Conventional Loans only)
- If appraisal reflects property as a Condo or an attached PUD, a Condo/PUD warranty form must be contained in the Loan File
- The monthly rental income and number of bedroom data must be provided for primary residence multi- family (2-4 units) and investment properties (1-4 units). Rental income can be found in the documents below:
  - Operating income Statement (Fannie Mae Form 216)
  - Comparable Rent Schedule (Fannie Mae Form 1007)
  - Fair market rent letter from realtor
  - Lease agreement
  - Rental income note on the Application or 1008
- All Appraisals must be delivered to Merchants in PDF format with color photos

n. Underwriting Approval and Automated Underwriting Requirements

Every Loan File submitted to Merchants must include a signed underwriting approval that matches the terms of the Loan. For Delegated Loans, Correspondent must have some form of approval signed by an underwriter. The following documents, signed by an underwriter, will be accepted as approval:

n. Underwriting Approval and Automated Underwriting Requirements (cont.)

- 1008 with Automated Findings
- If contract underwritten, approval must reference Correspondent and not Merchants
- Underwriting conditions must be cleared prior to closing. Loans submitted for purchase without conditions being cleared may be rejected for purchase
- Credit File documents cannot be expired on approval
- The AUS findings/contract underwriting approval must match how the Loan was closed:
  - If the Loan amount and/or interest rate are higher than the Note, findings are acceptable. If they are lower, Correspondent must obtain corrected findings/contract underwriting approval
  - If the appraised value and/or sales price are higher, the findings are acceptable. If they are lower, Correspondent must obtain corrected findings/contract underwriting approval

Correspondent must obtain corrected findings/contract underwriting approval if the following are not correct:

- Loan type (i.e., product/term)
- Property type (i.e., condo/PUD)
- Occupancy type (i.e., primary/second home/investment)
- Units
- Property address
- Correct version of DU must be used
- DU preliminary findings are not acceptable
- The latest DU submission is required
- Submission number must match contract approval
- AUS Credit Report Reference # must match credit report

o. Escrows/Impounds

i. **Tax Bills.** Prior to starting escrow calculations, all tax bills due within thirty (30) days of the settlement date must be paid before or at settlement.

ii. **Insurance Policy**

- Escrow accounts – the policy must have a remaining term of at least 60 days after closing.
- Non-escrow accounts – the policy must have a remaining term of at least 30 days after closing. If the renewal insurance policy is not available, obtain one of the following:
  - Temporary binder from the insurance company
  - Offer of renewal from the insurance company
  - Quote with underwriting approval from a new company
  - Any bills paid prior to settlement must have a paid receipt at settlement for proof of payment Escrow analysis performed 60 days after boarding. On an annual basis, each loan is reviewed to assure compliance with Applicable Law

iii. **Initial Escrow Statement**

- Initial escrow statements are required on all Loans in which escrows/impounds are being held by the servicer
- If flood insurance is required, the Borrower is required to escrow for flood insurance
- If loan has mortgage insurance (MI), monthly MI must be on initial escrow account disclosure and amount match MI certification
- A two (2) month cushion should be used in the initial escrow statement unless Applicable Law specifies otherwise
- This statement must be provided to the Borrower at the time of settlement. Initial escrow statements must include the following information:
  - Amount of the total monthly payment
  - Portion of monthly payment that is being placed into their escrow account.

- Itemize the estimated charges for property taxes (including school taxes and city taxes), insurance premiums and other charges that are expected to be paid during the next escrow computation year. Must include the description of the item, due date, term, and disbursement amount
- Running trial balance which reflects the estimated activity in the escrow account during the next 12 months
- Starting reserves (inclusive of the initial private MI premium amount); escrow disbursements prior to the 1st pay date; interim/added assessment; total reserves to be collected at closing and target balance

iv. Escrows for New Construction. To avoid "payment shock," RESPA applies to escrows for New Construction Loans. Correspondent must estimate the amount of escrow account items to be disbursed. In cases of un-assessed property involving new construction sites, Correspondent may base an estimate on the assessment of comparable residential properties in the market area.

v. Tax Certificate

- A completed tax certificate must be contained in the Loan File. If there is not a completed tax certificate, tax information provided within the title commitment or policy is acceptable
- Tax authorization form is required in NJ, PA, NY, and IL

vi. Hazard Insurance

- A current hazard insurance policy or binder must be contained in the Loan File
- Borrower must be listed on policy
- The policy/binder must reference the Property address
- If a condo, the policy must have one million dollar liability insurance
  - If site/detached condo, an individual policy is acceptable
- The hazard insurance carrier must have a Class III & "B" or Class III & "A" or better rating in the Key Best Rating Guide, Fair Plan, and Lloyds of London policies
- A hazard insurance policy or insurance binder (if required by Applicable Law) and a paid receipt will be accepted, provided that the policy term is for twelve (12) months
- Perpetual homeowners insurance is acceptable – this type of policy has no expiration date and requires no annual premiums to keep it in force, it has been paid for with a single one-time payment
- Adequate funds must be collected at closing and be included in the Mortgage monthly payment for the payment of the hazard insurance premium
- Fannie Mae and Freddie Mac guidelines for hazard/homeowner's insurance coverage apply, which require coverage equal to the lesser of:
  - 100% of the insurable value of the improvement; or
  - The total of all liens (Unamortized Principal Balance) on the Property as long as it equals at least 80% of the insured value of the improvements

Insurable value must be documented with one of the following:

- Guaranteed replacement cost policy endorsement to the policy
- Written evidence from the insurer that the coverage equals the insured value and how the insured value was determined
- Documentation from the appraiser of the replacement cost of the improvements

For condominiums, insurance should cover 100% of the insurable replacement cost of the project improvements, including the individual units in a condominium project. Coverage does not need to include land, foundations, excavations, or other items that are usually excluded from insurance coverage.

An insurance policy that includes either of the following endorsements will assure full insurable value replacement cost coverage:

- Guaranteed replacement cost endorsement (under which the insurer agrees to replace the insurable Property regardless of the cost) and, if the policy includes a coinsurance clause, an agreed amount endorsement (which waives the requirement for coinsurance)
- Replacement cost endorsement (under which the insurer agrees to pay up to 100% of the Property's insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an agreed amount endorsement (which waives the requirement for coinsurance)

o. Escrows/Impounds (cont.)

vii. Deductibles. Fannie Mae and Freddie Mac guidelines for 1-4 family properties state, unless a higher maximum deductible amount is required by Applicable law, the maximum allowable deductible for a first mortgage is five percent of the face amount of the insurance policy, regardless of property type.

viii. Private Mortgage Insurance (MI). An escrow account must be maintained for payment of private MI.

- If there is an escrow account established, full or partial, the HO-6 policy for condominiums must be escrowed, unless the association policy includes unit-level 'walls-in' coverage

p. Escrow Waivers

To be eligible to waive the property tax and/or homeowner's insurance escrow, a Loan must meet Investor and Insurer requirements and guidelines (see program summaries and product matrices for details). Check the current rate sheet for state specific zone information and adjustments. Property tax exemptions will be subject to all applicable price adjustments for non-escrowed Loans.

Merchants may permit escrow waivers on Conventional Loan products with LTVs less than or equal to 80% (89.9% in California), so long as certain criteria are met. An escrow waiver fee applies when tax and insurance escrows are waived or when only tax escrow are waived, but not if only insurance escrow is waived. Escrow waiver fees may be different for Non-Agency products. Please see the rate sheet for details on the applicable fees for each product.

Escrow waivers are not permitted for Cash-Out Refinance products that pay delinquent taxes 60 days or more past due (must be paying two delinquent tax installments in California). Correspondent must escrow all premiums and reserves for any flood insurance required. Escrow waivers are not permitted in the state of NM.

When Correspondent elects to waive escrows for property tax and/or homeowner's insurance, certain restrictions and price adjustments apply. If the noted exception circumstances do not apply, and all eligibility requirements related to escrow waivers have been met, Correspondent may elect to waive the following:

- All real estate taxes and homeowners insurances (flood insurance escrow may not be waived)
- Real estate taxes only
- Hazard insurance only

The following must be contained in the Loan File:

- Escrow waiver form
- Payment letter signed by Borrower showing no escrows with payment
- If escrows were waived and product does not permit an escrow waiver, an approved exception must be obtained

q. Escrow Holdback Requirements - New Construction

Merchants may approve Correspondent to deliver Loans with completion escrow holdbacks upon review of Correspondent's escrow holdback policy.

Upon approval, Merchants may accept certain Loans with outstanding completion escrow holdbacks for newly constructed properties, provided that all completions will be finalized within one hundred eighty (180) days of the Closing Date. Acceptable completion items include:

- New Construction only:
  - Grade and seed and/or weather-related items only
  - Are part of the sales contract between Correspondent and Borrower
  - Do not affect the ability to obtain an occupancy permit

A certification of completion must be obtained and forwarded to Merchants as part of the Loan File, which may be uploaded via the Portal. The certificate must be completed by the appraiser. The certificate must also state the improvements that were completed in accordance with the requirements and conditions in the original appraisal report and be accompanied by photographs of the completed improvements. The cost of completing the improvements must not represent more than 10% of the "as completed" appraised value. The dollar amount escrowed on fixed rate contracts must equal the full amount of the contract price. Otherwise, 120% of the estimated cost for completing the improvements.

The mortgage insurance and title insurance must not be adversely affected during or after the time the completion escrow is in effect. Correspondent must obtain a final title report, which must not show any outstanding mechanic's liens, take any exceptions to the postponed improvements, or take any exceptions to the escrow agreement in place between Correspondent and Borrower. If the final title report is issued before the completion of the improvements, Correspondent must obtain an endorsement to the title policy that ensures the priority of the lien.

r. Flood Insurance (if applicable)

i. General Requirements

- A current flood insurance policy or binder must be included in the Loan File. A flood policy is also acceptable, but a paid receipt is then required
- The policy/binder/application must: reference the Borrower and the Property; be for a term of 12 months; and, show the amount of coverage; if a condo, must have at least a one-million-dollar liability limit
- If site/detached condo, individual policy is acceptable
- Correspondent must follow Investor and Insurer requirements and guidelines and Applicable Law

ii. Condominium Requirements. The amount of coverage should be at least equal to the lesser of 100% of the insurable value of each insured building (including all common elements and property), or the maximum coverage available under the applicable National Flood Insurance Program, or the Loan amount.

For those condominium projects that consist of high-rise buildings or other vertical buildings, the required coverage has three components:

- The building coverage should equal 100% of the insurable value of the common elements and property (including machinery and equipment that are part of the building)
- The contents coverage should equal 100% of the insurable value of all contents (including machinery and equipment that are not part of the building) that are owned in common by the association members
- The coverage for each unit should be the lesser of the loan amount, $250,000 or the amount of its replacement cost. If this required coverage exceeds the maximum coverage available under the National Flood Insurance Program, Merchants accepts coverage equal to the maximum amount that is available

s. Life of Loan SFHA Determination Certificates

- Merchants requires that all Loans contain a Special Flood Hazard Area Determination Certificate (Flood Certificate)
- The Flood Certificate must contain correct Property address
- The initial flood determination verifies whether the Property lies in a Special Flood Hazard Area
- The life of Loan monitoring enables Investors to continue to track any changes in the Property flood zone status over the life of the Loan
- Federal law requires proof of flood hazard insurance if the Property lies in a flood zone
- If a Flood Certificate states that the Property is located in a zone beginning with A or V, then the Property is located in a flood zone and requires flood insurance
- Flood insurance is not required if the Property is located in one of the following zones (B, C, D, or X)
- Correspondent may obtain a Flood Certificate from a company of their choice who performs flood determination services in accordance with the most recent Federal Emergency Management Agency Flood Determination guidelines.

t. Homeownership Counseling

All disclosures must comply with Applicable Law. Merchants only accepts Loans for which the Borrower received initial disclosures electronically according to the requirements outlined by the Electronic Signatures in Global and National Commerce (E-SIGN) Act of 2000.

Merchants will review each Loan File to verify the Borrower was provided with either:

- The list of Homeowners Counseling Organizations within three (3) business days of the Application.
- The list must be obtained from either:
  - The CFPB website created to assist lenders in complying with this section, which can be found here: **https://www.consumerfinance.gov/find-a-housing-counselor/**; or
  - Correspondent may use its own system to generate the list using the same HUD data that the CFPB uses on HUD-approved counseling agencies

u. Mortgage Insurance

i. **General.** MI certificate with the following info is required on all Loans with an LTV over 80%:

- Borrower's name and Property address
- Correct Loan amount and term
- Correct appraised value and sales price
- Coverage percent
- Premium source Borrower Paid MI (BPMI)

If the MI certificate shows initial premium due, the amount must be shown on the CD as being paid. If the certificate shows zero payment, no payment is required to be on the CD. All Loan information listed below must match the Loan terms. If the Loan information is different, a new certificate must be obtained. Seller is responsible to provide proof of paid certificate when CD reflects Lender Paid or Borrower Paid lump sum premiums. This is required prior to purchase of loan.

MI coverage must meet Merchants requirements.

- Borrower Paid Mortgage Insurance (BPMI) Option – Acceptable Companies
  - Arch MI
  - Essent
  - Enact
  - MGIC
  - National MI
  - Radian
- Acceptable Borrower Paid Mortgage Insurance (BPMI) Payment Options
  - Monthly and Zero Monthly
  - Level Annual
  - Standard Annual
  - Single Premium

PMI policy must be activated and Correspondent must provide acceptable proof of activation PRIOR to purchase. Correspondent must transfer the MI certification to Merchants and notify the MI company of the servicing transfer within 5 business days of purchase. Merchants accepts lender paid MI, provided that the premium is paid at the time of closing and not from the monthly remittance. Reduced MI coverage is not permitted.

ii. **Notice Regarding Private Mortgage Insurance. Disclosure is required if:**

- Borrower paid MI
- 1-unit primary residence

Disclosure must contain the two dates informing the Borrower when they can cancel their MI. If Loan is a Balloon or an ARM, a disclosure is required but the dates are not required to be on the form.

iii. **Private Mortgage Insurance Drop Off in Payment Schedules**

- The Homeowners Protection Act sets out rules for termination of private MI insurance on single-family dwellings that are the principal residence of the Borrower. It provides that the borrower may request MI cancellation when the principal balance of the Loan reaches 80% of the Property's value and that the servicer must cancel MI when the principal balance of the Loan reaches 78% of the Property's value
- Because the reduction in principal balance to 78% of the Property's value would rarely coincide exactly with the timing of the monthly payment, lenders cut off the MI payment just above the cancellation figure (i.e., 78.05%) or just below (i.e., 77.95%). The calculation of when the servicer must cancel MI affects the payment schedule on the LE. If the MI payment is dropped just above the 78% LTV, the payment schedule will show one month (or more) fewer MI payments than if the MI payment is dropped just below the 78% LTV
- Merchants reviews the LE on purchased Loans pre-fund or post fund and reviews the MI payment schedule calculations

iv. **Calculation of Private Mortgage Insurance Payments.** For Loans that include private MI, the amount of the MI payment calculated is included in the finance charge and the payment stream that is shown on the TILA disclosure. To calculate the amount of the monthly MI payment on Conventional Loans, multiply the Loan amount on the Note by the initial premium percentage rate from the MI Certificate and divide the result by 12.

v. Title Insurance

Title insurance policy must grant Merchants their valid lien position and comply with Fannie Mae and Freddie Mac's title insurance requirements as it relates to coverage, acceptable title exceptions, and endorsements.

- If refinance, title must be vested in Borrower only, if not, a quit claim deed is required
- If purchase, current owner must match current owner on appraisal or sales contract
- Determine if the property is fee simple
- Appraisal will also confirm if property is fee simple
- Required endorsements, if applicable

i. Condominium Endorsement (ALTA 4)

Insures, among other things, that the unit is listed on the required condominium documents (master deed, condo declarations, etc.) and is part of the condominium. Additionally, it ensures that condominium documents properly create a condominium; restrictions in the condominium documents will not cause a loss of title; that the lien of mortgage is superior to any lien for assessments; and that the unit is a separate tax parcel.

ii. Planned Unit Development Endorsement (ALTA 5)

Insures, among other things, against loss from violations of restrictions, prior assessment liens, encroachments. A signed attorney opinion letter with the correct legal description, easements and/or restrictions is acceptable in place of a title commitment in Iowa

iii. Short Form Title Policies

Merchants accepts short form title policies, provided they provide the same amount of coverage as a standard policy but in a shorter format. The policy must reference the Loan specifics (insured amount, date of policy, Property address, Borrower, etc.) and refer to general documents for all coverage. Limited coverage policies are not acceptable. For an acceptable example: automatically provides the Environmental Protection Lien Endorsement (ALTA 8.1) Condo and PUD endorsements and all other standard endorsements without providing copies of these endorsements. It also provides affirmative coverage for property specific exceptions such as restrictions, encroachments, etc. with general statements in the policy text. Not acceptable when:

- Property is located in Texas or Oregon
- Investor or Insurer requirements guidelines prohibit (refer to program summaries and product matrices for details)

w. Title and Title Insurance Requirements

The title insurance policy for the Property may not list any exceptions arising from the trust ownership of the Property. Full title to the Property must be vested either:

- In the trustee of the inter vivos revocable trust
- Jointly in the trustee of the inter vivos revocable trust and in the name of an individual Borrower
- If title will be vested in the trustees of more than one inter vivos revocable trust, the terms of the two revocable inter vivos trust documents must complement each other and may not conflict with one another

x. Condo/PUD Warranty

For Delegated Loans, Correspondent is required to warrant condominium and attached PUD projects to the requirements below:

- Loans delivered to Merchants in which the Property is a condominium or attached PUD must contain the Conventional Condominium/PUD Warranty executed by an authorized agent of Correspondent certifying it has examined all appropriate documentation to determine the project is compliant based on the review type
- Correspondent must retain all supporting documentation to complete the required review and certification. Merchants may, at its discretion, request all supporting documentation that was used to complete the certification.

y. Disaster Policy

Disasters, both natural and man-made, may occur at any time. Merchants considers a disaster any event that causes substantial damage to Property. Disasters include but are not limited to:

- Floods
- Wildfires

- Thunderstorms
- Tornadoes
- Hurricanes/Tropical Storms
- Earthquakes
- Landslides
- Volcanic eruptions
- Nuclear accidents
- Terrorist attacks

This section provides guidelines to be followed for Properties in:

- Federally declared disaster areas (FEMA Disaster Declarations) with designated counties or ZIP Code areas eligible for individual assistance
- Areas identified by Merchants or an Investor or Insurer
- Areas where Correspondent has reason to believe that a Property might have sustained damage in a disaster

Merchants may or may not, in its sole discretion, accept Loans secured by Properties located in a disaster area.

i. Correspondent Responsibility for Property Condition

Correspondent is responsible for determining potential impact to a Property located in an area where a disaster is occurring or has occurred. If Correspondent has reason to believe that a Property might have been damaged in a disaster, Correspondent must take appropriate action to ensure the Property meets Investor and Insurer requirements and guidelines at the time of purchase by Merchants. Additionally, if Merchants has reason to believe that a Property might have been damaged in a disaster and has placed a prior to purchase condition on the Loan, then Correspondent must follow the requirements of the Loan condition.

ii. Multiple Disaster Events

Upon the occurrence of multiple events, such as a hurricane followed by a flood, the requirements apply to the date of the most recent event.

iii. Employment Re-Verification after Disaster

In the event of widespread Property destruction or a large-scale disaster, a re-verification of the Borrower's employment may be required prior to Loan purchase. A Disaster Announcement will state this requirement, if applicable, and a pre-purchase condition for re-verification of employment may be placed on the Loan file at the discretion of Merchants.

iv. State of Emergency Definition

FEMA declares a State of Emergency in areas that could potentially be affected by an imminent disaster. A State of Emergency generally only requires action if it is followed by a FEMA Disaster Declaration, or if Merchants or an Investor or Insurer issues a Disaster Announcement.

v. Disaster Assessment and Disaster Notification Announcement

Merchants may assess the significance of events in geographic areas impacted by disasters. The assessment could utilize data provided by FEMA and other data sources regarding impacted areas. As a result of this assessment, Merchants may define the affected area differently than the FEMA declaration. In the event of a declared or undeclared disaster requiring action, Merchants may issue a Disaster Announcement with the following information:

- Nature and location of disaster
- Disaster incident period
- Incident period end date as the later of:
  - Incident period end date determined by FEMA and published at FEMA.gov, or
  - Incident end date determined by Merchants and published in a Disaster Announcement
- Any FEMA declarations of areas eligible for individual assistance
- Impacted ZIP Codes or counties determined by FEMA and Computershare Loan Services
- Any related Investor or Insurer announcements and/or requirements

- Documentation requirements, including
  - Additional appraisal or appraisal product
  - Re-inspection or Correspondent Certification
  - Employment re-verification, if any
- Effective date of any requirements
- Last date for requirements (if applicable)

vi. Declared Disaster Areas – Appraisals Completed Before Disaster (Agency, USDA, VA, and FHA)

If a Property is in in a FEMA Declared Disaster Area eligible for individual assistance and the most recent appraisal in the Loan file was completed before the incident period end date, Correspondent must provide a Property inspection meeting the following requirements prior to purchase:

- A final exterior inspection or appraisal update signed by the original appraiser
  - Appraisal Update, form Fannie Mae 1004D, Disaster Inspection, or
  - Completion Report, form Freddie Mac 442, or
- Property Inspection Report
  - Fannie Mae form 2075, or
  - Freddie Mac form 2070, Streamlined Inspection, or
- Correspondent Certification for Disasters

The document provided must address the specific disaster and indicate any apparent damage to the Property. Inspection reports listed above may not be used to estimate or recertify value.

vii. Declared Disaster Areas – Programs without Appraisals (Agency, USDA, VA, and FHA)

If a Property is in in a FEMA Declared Disaster Area eligible for individual assistance and the Loan did not require an appraisal, Correspondent must follow applicable Investor and Insurer requirements and guidelines.

viii. Correspondent Damage Certification: Post Disaster (Agency, USDA, and VA)

If a Correspondent Certification for Disasters form is used, then the following are required:

- Must be completed after the incident end date
- Must be executed by Correspondent employee who will not receive direct compensation from the transaction
- Must be on Correspondent's company letterhead or a Certification of Property Condition form
- Must state that an acceptable inspection of the property was completed
- Contain Merchants Loan number
- Property Street Address, City/State/Zip Code
- The following statement: "This is to confirm that the above referenced Property has been inspected and determined that it was either not damaged in the recent disaster or has been restored to its pre-disaster condition or better."
- Printed Name and Signature of Correspondent's Representative, Title and Date
- Photos of the Property front, back, street in both directions, house number, and any visible damage
  - Condominiums also require lobby and front of building
    - lobby through window is acceptable if lobby is not accessible due to security

If the inspector is not able to certify that the Property shows no signs of damage, then refer to the Requirements in Response to Disaster Inspection Findings sections below.

ix. Requirements in Response to Disaster Inspection Findings (Agency, USDA, and VA)

If the inspection supports that the Property is habitable, sound, and the Property has not been affected by the disaster, then the original collateral valuation can be used. Minor (cosmetic) repairs needed may be acceptable at the sole discretion of Merchants. If the inspection notes that the Property is uninhabitable, unsound, or that the property condition has been affected by the disaster, then a new, interior and exterior appraisal must be obtained showing that:

- All damage has been repaired prior to purchase by Merchants
- Property is habitable and sound and the Property value is supported

x. Declared Disaster Areas: Appraisals Completed After the Incident (Agency, VA, and USDA)

If the appraisal completed after the incident period end date supports that the Property is habitable, sound, and has only minor cosmetic, non-structural damage that does not impair the safety, structural soundness, habitability, or functional use of the Property, then the appraisal and Property may be acceptable at the sole discretion of Merchants, without further inspections or appraisal updates.

If the appraisal completed after the incident period end date reflects any damage that affects health, safety, habitability, soundness, or structural integrity of the Property, then prior to purchase of the Loan the damage must be repaired and an Appraisal Update Form 1004D, Form 442 Completion Report, or new appraisal must be completed, including an interior inspection if the damage and issues originally identified impacted the interior of the Property.

xi. Agency Disaster Notification – Outside FEMA Areas (Agency, USDA, and VA)

If the property is not in a FEMA Declared Disaster area, but either Fannie Mae, Freddie Mac or the VA have issued a Notification that an appraisal update is required due to a disaster, then one of the following is required:

- A final inspection or appraisal update of the Property signed by the original appraiser
  - Appraisal Update, form Fannie Mae 1004D, Disaster Inspection, or
  - Completion Report, form Freddie Mac 442, or
  - Property Inspection Report
  - Form Fannie Mae 2075, or
  - Form Freddie Mac 2070, Streamlined Inspection

Above requirements apply to Loans without an appraisal.

xii. FHA Mortgage Loans in Declared Disaster Areas

Disaster inspections are not required for:

- FHA transactions endorsed by FHA prior to the disaster date

For FHA Streamline transactions where an appraisal was not completed and is not required under applicable Investor requirements and guidelines, follow the requirements in Section 10.s.(vii.) Declared Disaster Areas - Programs without Appraisals.

FHA disaster inspections on Properties located within a Declared Disaster Area or in areas for which HUD/FHA have issued a notification that an appraisal update or inspection is required due to a disaster must:

- Have a damage inspection report that identifies and quantifies dwelling damage
  - Appraisal Update, form Fannie Mae 1004D, Disaster Inspection
    - No value estimate provided
    - Including a street scene and photo of the subject property, or
  - Form Freddie Mac 2070, Streamlined Inspection
    - Property inspection form, not an appraisal
    - No value estimate is provided
    - Including a street scene and photo of the subject Property
- Be completed by an FHA Roster Appraiser, even if the inspection shows no damage to the Property
- Be dated after the disaster incident end date (per FEMA)

Correspondent Certification for Disasters is not acceptable for FHA Mortgage Loans.

When damage is identified during a disaster inspection on an FHA transaction:

- Appraiser must provide a damage inspection report with interior and exterior photos
- New appraisal is required supporting Loan amount if value has declined since effective date of original appraisal
- Repairs must be completed prior to purchase by Merchants
- Loan must be insured prior to purchase by Merchants

For FHA Loans, refer to the FHA Single Family Housing Policy Handbook 4000.1 for additional guidance.

z. Hawaii Lava Flow Hazard Zones

The following two zones have been identified as particularly hazardous:

- Zone #1, which consists of the summit areas and active parts of the rift zones of Kilaua and Mauna Loa.
- Zone #2, which consists of areas adjacent to (and downslope from) the active rift zones of Kilaua and Mauna Loa.

Merchants does not accept Loans for which the Property is located in Lava Zone 1 or Lava Zone 2.

aa. State Disclosures

Merchants does not review for required state disclosure except for the following:

- Illinois – For Loans secured by Property located in the counties of Cook, Kane, Peoria, or Will submitted for purchase by Merchants, Merchants requires receipt of the following:
  - A copy of the certificate of compliance with the counseling requirements or the certificate of exemption if Correspondent or transaction is exempt
  - A copy of title commitment free from any exceptions related to the anti-predatory lending database requirements
- Massachusetts – broker compensation disclosure – required on owner occupied primary residence or second home where compensation is paid by Correspondent to a broker
- New Jersey – signed certificate of non-referral form required on all Cash Out Refinances

bb. Closing Disclosures

- Interest and all projected payments must be documented on the closing disclosure (CD)
- Confirm Closing Date on final CD is the same day as Note and Mortgage
- For Mortgages secured by Property the file must contain the final CD signed by all parties to the transaction and evidencing all costs to the homebuyer and property seller (it may be all inclusive with buyers and sellers on one, or two separate disclosures: one for buyer(s) and one for seller(s))
- For Mortgages secured by Property in an escrow state (Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, and Washington), the Loan File must include:
  - Initial CD by the Borrower and property seller, if applicable; and
  - The final CD signed by the escrow officer; addendum acceptable
- The Final CD must be signed by all parties to the transaction, addendums are acceptable for signatures
- The CD must include the Borrower's name, Property address and Loan amount
- Interest credit:
  - Merchants Servicing Division must have sufficient time to process the Loan before receipt of the first payment, therefore an interest credit to the Borrower at closing can only be made up to the 7th day of the month in order for the first payment on the Loan to reflect a full month of interest collected
- For conforming Loan amounts, a Loan is considered a Cash Out if the cash back to the Borrower is more than the greater of 1% of the new refinance Mortgage, or $2,000, whichever is less
- A Loan can also be considered Cash Out according to UW restrictions (i.e., paying off major debt, a previous loan or buyout of a co-owner) always refer to underwriting approval and AUS findings when referring to the Loan purpose
- If DU Refi Plus product, cash back cannot be over $250.00. If over $250 the difference must have been applied as a principal reduction.
- If escrows are collected on the CD, Merchants will net escrows from the purchase advice
- Demand assumption section must be completed
- Prepay section must be completed correctly

cc. Closing Instructions – Borrower Identity

For Conventional Conforming Loans located in an escrow state, a signed closing disclosure is required. On Correspondent table funded Loans, Correspondent's closing instructions must include specific instructions to the closing agent to confirm the identity of the Borrower. Copies of the closing instructions must be included in the Loan File. A closing agent certification form that can be used by the closing agent is available in the Forms Library within the Portal.

cc. Closing Instructions – Borrower Identity (cont.)

The following documents may be used to certify the Borrower's identity:

- U.S. Person:
  - Valid State driver's license (photo)
  - Valid State ID (non-driver's license) (photo)
  - Work ID (photo)
  - Student photo ID
  - Military photo
  - Military dependents' photo ID
  - Department of Public Welfare photo ID
  - Medicare card
  - U.S. Passport (photo)
- Non-U.S. Person:
  - Non-U.S. Passport (photo)
  - Resident Alien Card

dd. Pre-Signing of Mortgage Documents

On purchase and rescindable transactions, the Loan Documents can be signed prior to the computer-generated date on the documents. The computer-generated document date should remain the same. The notarization (of the Mortgage and other documents that require notarization), however, must match the date the documents are signed by the Borrower. On rescindable transactions, the 3-day rescission period begins following consummation, delivery of the Notice of Right to Cancel, or delivery of all material disclosures, whichever occurs last. The rescission period begins the day the Borrower(s) sign and date the Notice of Right to Cancel.

ee. Name Affidavit

A name affidavit is required only in situations where the Borrower(s) did not sign the Note or Mortgage exactly as typed or when the Borrower(s) is listed on the title of the property differently from the Note and Mortgage. (e.g., middle initial is included on Note, but Borrower(s) did not sign with initial on Note and/or Borrower(s) is on the title of the property under maiden name and is refinancing as a married person).

ff. Power of Attorney

- Merchants accepts a power of attorney that:
  - Is recorded prior to or concurrent with the Loan transaction and dated such that it is valid as of the Closing Date
  - References the specific Loan transaction
  - Is signed and dated by the Borrower(s) granting the power of attorney; Name(s) on power of attorney document must match the name(s) of the person(s) on the affected Loan Documents
  - Is signed by an appropriate "witness" (as required by Applicable Law)
  - Specifically identifies the Property address; Property may not be the result of a short sale, foreclosure, Real Estate Owned (REO), or similar
  - Is correctly notarized with valid date and not blank fields
  - Is not an interested party in the transaction, such as the real estate agent, seller, title company employee or closing agent, unless they are a relative of the Borrower(s)
  - Borrower has provided a letter of explanation regarding the need for a power of attorney
- A durable power of attorney is acceptable. A durable power of attorney allows a mentally competent person, called the "principal", to authorize a second party, called the "agent" or "attorney in fact", to act on his or her behalf, even if the principal later becomes incapacitated. This particular form becomes effective upon disability or incapacity of the principal. A durable power of attorney should always be notarized, especially if the agent will be dealing with real property. Notarization allows the durable power of attorney to be recorded as a public record, if necessary.

ff. Power of Attorney (cont.)

IMPORTANT:

- Borrower must sign the initial URLA and all other 'up-front' documents, except for:
  - A Borrower on military service with the United States Armed Forces serving outside the United States or deployed aboard a United States vessel, as long as the power of attorney:
    - Expressly states an intention to secure a Loan on a specific property, or
    - Such use is required by Applicable Law
  - If there is only one borrower involved in the Loan transaction utilizing a power of attorney, the attorney-in-fact must be the borrower's attorney-at-law or the borrower's relative
- Not permissible on Cash Out Refinance transactions

Documents executed by the Attorney-in-Fact must be signed according to the following examples (the typed signature line and actual signature must match exactly on all POA documents):	
State Requirements	**Acceptable Signatures**
All States Except California	Any of the following examples are permitted: ✓ Mary Smith by John Smith as her Attorney-in-Fact ✓ Mary Smith by John Smith as Attorney-in-Fact ✓ Mary Smith by John Smith, Attorney-in-Fact ✓ Mary Smith by John Smith, her Attorney-in-Fact
California	Only the following signature is acceptable: • Mary Smith by John Smith as Attorney-in-Fact
NOTE: In all states, documents executed by the Attorney-in-Fact must include the principal's name, the agent's name, and the agent's capacity in the signature. Additionally, the document should have the same information typed or written.	

gg. Signature Requirements – Trusts

i. **Note.** The Note and any addendum to the Note must be executed by the trustee(s) on behalf of the trust, indicating the complete legal name of the trust, and each individual establishing the trust whose income and assets are used to qualify for the loan.

- Form of Signature Required on Note and Addendum for an Individual Trustee Who is Both a Settlor and a Credit Applicant. Each individual trustee of the living trust who is both a "settlor" and a credit applicant must sign the Note (and any necessary addendum). This may be accomplished by either one or two separate signatures, as follows:
  - Example 1: One signature presented - acceptable format:

    Signature: David Jones
    Typed Name: David Jones, Trustee for the Jones Family Trust under trust instrument dated mo/day/year

  - Example 2: Two signatures presented - acceptable format:

    Signature: David Jones
    Typed Name: David Jones
    AND
    Signature: David Jones OR David Jones, Trustee
    Typed Name: David Jones, as Trustee for the Jones Family Trust under trust instrument dated mo/day/year.

- Form of Signature Required on Note for an Institutional Trustee and for an Individual Trustee Who is Not Both a Settlor and a Credit Applicant. Each institutional trustee of the living trust and each individual trustee of the living trust who is not both a "settlor" and a credit applicant must sign the Note (and any necessary addendum), using a signature block similar to the following:

  Signature: David Jones
  Typed Name: David Jones, as Trustee for the Jones Family Trust under trust instrument dated month/day/year.

ii. **Mortgage.** The Mortgage and any applicable riders must be executed by the trustee(s) on behalf of the trust. Each individual establishing the trust whose income and assets are used to qualify for the Loan must acknowledge all of the terms and

covenants in the Mortgage and any riders and agree to be bound thereby by placing his or her signature after a statement of acknowledgment on the Mortgage and riders.

A. Form of Signature Required on Mortgage and Riders for all Trustees. Each trustee of the living trust must sign the Mortgage (any necessary rider), using a signature block similar to the following:

Signature: David Jones
Typed Name: David Jones, individually and as Trustee for the Jones Family Trust under trust instrument dated month/day/year.

B. Form of Settlor/Credit Applicant's Signature Acknowledgment Required on Mortgage and Riders. The following must be added to the Mortgage (and any applicable riders) following the Borrower's signature lines (and then must be signed by each settlor of the living trust who is a credit applicant):

By SIGNING BELOW, the undersigned, Settlor(s) of the Trust under trust instrument dated __ acknowledges all of the terms and covenants contained in this Mortgage and any rider(s) thereto and agrees to be bound thereby.

_____(Seal) Trust Settlor

iii. **Revocable Trust Rider to the Mortgage.** The revocable trust rider to the Mortgage must be executed by the trustees on behalf of the trust. Each individual establishing the trust whose income and assets are used to qualify for the Loan must acknowledge all of the terms and covenants in the Mortgage and any riders and agree to be bound thereby placing his or her signature after a statement of acknowledgment on the Mortgage and riders.

hh. Mortgage

i. **Requirements**

- Complete Mortgage, including all pages and correct legal description is required
- Closing Date, Loan amount, maturity date, and Property address must match Note
- County name and legal description must match title commitment and appraisal
- Lender name must be correct
- Mortgagor and mortgagee must be correct
- If there is a deed of trust, the trustee name and address must be filled in
- If any information on the Mortgage is incorrect, the errors must be corrected and the Mortgage re-recorded. Merchants will require a copy of the instrument with corrections and letter of intent to rerecord prior to disbursement of the Loan
- Changes on the Mortgage that affect the terms of the Loan (i.e., Loan amount and maturity date) must be initialed by Borrower and a letter of intent to rerecord must be received prior to purchase of the Loan
- If Loan is closed in the name of a trust, each Settlor must sign individually, and one or more trustee(s) must sign the mortgage. The complete name of the trust is required on the signature line.
- Correct forms must be used according to the product and state guidelines
- On all Loans eligible for sale to Fannie Mae or Freddie Mac, the tagline that identifies the instrument as a Uniform Instrument must remain part of the document and be included on each page
- A MERS as Original Mortgagee (MOM) Mortgage must have 18-digit Mortgage Identification Number (MIN #)
- If Correspondent's Org ID, and MIN # is incorrect or missing, Correspondent may take one of the following actions to correct:
  - Execute a mortgagee's affidavit to be recorded
  - In CA only – an Assignment from MERS to MERS may be recorded to correct the MIN#
  - Execute Mortgage modification to be recorded
  - Correct the Mortgage and re-record
- MERS will not accept a Mortgage with Merchants' Org ID and MIN # on the document
- The following person(s) must sign the Mortgage and any riders to the Mortgage:
  - Each person who has an ownership interest in the Property (an individual "in title"), even if the person's income is not used in qualifying for the Loan

- The spouse or domestic partner of any person who has an ownership interest in the Property, if his or her signature is necessary under Applicable Law to waive any property rights, he or she has by virtue of being the owner's spouse or domestic partner

Merchants accepts short form Mortgages for Properties that are located in the following states: Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Idaho, Kentucky, Maine, Maryland, Nebraska, Nevada, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Washington, Wisconsin, and Wyoming.

A short form Mortgage must contain the specifics of the transaction, such as Closing Date, Loan amount, maturity date, Property address, and any applicable riders, but incorporates the details of a master mortgage only by reference. The short form Mortgage must reference the master form that has been previously recorded:

- It must state that the master form instrument was recorded in the county in which the subject mortgage is offered for record
- It must state the date when the master form instrument was recorded
- It must state the book and page where the master form instrument was recorded
- And it must state that a copy of the master form instrument was provided to the person executing the Mortgage

ii. **Mortgage Riders.** Check that appropriate riders are attached and signed. If a rider is not signed at closing, the Borrower must execute the applicable riders and Mortgage with rider attached must be re-recorded.

- Multistate Planned Unit Development (PUD) Rider (Form 3150)
  - If appraisal states that the Property is a PUD, a signed PUD rider must be attached to the Mortgage
  - Special rider must be used for Texas Section 50(a)(6) Mortgages that are secured by units in a PUD project
  - If PUD rider was signed and Property is a single-family home, this is acceptable
  - Required for all Conventional Loans when the Fannie Mae or Freddie Mac form is used
  - The project name must be filled in. Check project name against appraisal and title/legal description. If project name is incomplete or incorrect, need completed or corrected copy along with a letter of intent to re-record the Mortgage
- Multistate Condominium Rider (Form 3140)
  - If appraisal states that the Property is a condominium, a signed condominium rider must be attached to the Mortgage
  - Special rider must be used for Texas Section 50(a)(6) Mortgages that are secured by units in a condominium project
  - If condominium rider was signed and Property is a single-family detached home, the condo rider must be removed from the Mortgage and the Mortgage must be re-recorded
  - Required for all Conventional Loans when the Fannie Mae or Freddie Mac form is used
  - The project name must be filled in. Check project name against appraisal and title/legal description. If project name is incomplete or incorrect, completed or corrected copy must be submitted with a letter of intent to re-record the Mortgage.
- Multistate Second Home Rider (Form 3890)
  - Required for a Loan secured by a second home
  - If Loan is not a second home, rider must be removed from the Mortgage and the Mortgage must be re-recorded
- Multistate 1 - 4 Family Rider (Form 3170)
  - Required for Loan secured by a one- to four-unit investment property or a two- to four-unit primary residence
    - A. NOTE: If the Property is a 2- to 4-unit primary residence, rental income from the Property is used for qualifying purposes and rent loss insurance is not obtained, originators must delete paragraph D (Rent Loss Coverage) from the 1-4 family rider.
- Revocable Trust Rider
  - The revocable trust rider clarifies who is "the borrower" with respect to the covenants in the Mortgage. A sample revocable trust rider, which should be used if the Loan is secured by Property located in California, can be found on Fannie Mae's website. If the Loan is secured by a Property located in another state, the revocable trust rider must be modified to reflect the requirements of the specific state
  - As an alternative to using the revocable trust rider, Correspondent may choose to amend the Mortgage to include appropriate definitions and language similar in substance to the sample revocable trust rider

ii. Marital Rights – Non-Owner Spouses

If a Loan is subject to rescission under TILA, the following person(s) must receive the Truth-in-Lending Disclosure and two copies of the Notice of Right to Cancel:

- Each person who has an ownership interest in the Property (an individual "in title"), even if the person's income is not used in qualifying for the Loan
- The spouse or domestic partner of any person who has an ownership interest in the Property, if his or her signature is necessary under Applicable Law to waive any Property rights he or she has by virtue of being the owner's spouse or domestic partner. An ownership interest does not include leaseholds or inchoate rights, such as dower and courtesy. An ownership interest does include ownership rights under homestead laws and community property laws
- The Loan File must contain evidentiary documentation of receipt of the Truth-in-Lending Disclosure and two copies of the Notice of Right to Cancel by the required person(s). Evidence of delivery is not sufficient

jj. Note

- An original Note is always required – lost note affidavits are not acceptable
- eNotes are not eligible
- An original Note with white out corrections will not be accepted, and the Borrower must initial any cross outs on Note
- Closing Date needs to match Closing Date on the Mortgage
- If the late charge is incorrect a new Note is required
- Property address must match the subject address on the appraisal report that is submitted in the address field in UCDP
- Property address must match the title and legal description
- Note must contain the loan originator's name and NMLS Identifier number
- Loan amount, interest rate, and principal and interest must be correct and match AUS and Loan approval
- First payment on Note must be the first of the month
- If first payment date to Merchants is 1 or more payments from 1st payment due date on Note, a pay history is required
- Maturity date must match the term of the Loan
- Note form must be correct according to the product and state. If the form is incorrect, a new Note is required
- Refer to the Fannie Mae Selling Guide and Freddie Mac Selling Guide for state and product specific Note forms
- Note must be signed by all qualifying borrowers
- If Loan is closed in the name of a trust, each underwritten Settlor must sign individually, and one or more trustee(s) must sign the Note. See Section 10 gg. Signature Requirements - Trusts.
- On all Loans eligible for sale to Fannie Mae or Freddie Mac, the tagline that identifies the instrument as a Uniform Instrument must remain part of the document and be included on each page

kk. Allonges/Endorsements to the Note

- Must have complete endorsement chain ending with Merchants
- Correspondent's name on the face of the Note must be the exact name of Correspondent in the endorsement language
- DBAs are required – whenever the lender's name on the note does not match the lender's name on the endorsement exactly, Merchants will accept a corporate name trade certification to purchase the Loan
- Officer's name and title must be typed under signature line of Allonge/Endorsement
- Allonge is an attachment to the Note with the endorsement information and must be affixed to the Note only when there is not sufficient area on the Note itself for the endorsement. It must include the following loan specific information:
    - Loan number
    - Borrower(s) name(s)
    - Property address
    - Note Date
    - Loan Amount

kk. Allonges/Endorsements to the Note (cont.)

Example of an endorsement:

Pay to the order of Merchants Bank of Indiana without recourse
_____ (Seller Name)
By_____ (Signature of Officer)
Name: _____ (Printed)
Title: _____ (Printed)

ll. Corrective Note

When a revised original Note needs to be signed by the Borrower, Merchants will not accept Notes marked as:

- Duplicate Original
- Corrected Copy
- Replacement Note or similar

Merchants does not accept the above corrective Notes even if there is an original signature, or if the words 'duplicate original', 'corrected copy', or 'replacement note' are crossed through with or without initials.

mm. Modification Agreement

The Mortgage and Note will be reviewed upon receipt to confirm compliance with this Seller's Guide. If an error is identified, Correspondent must provide corrected documents. In lieu of correcting the original documents, a modification agreement may be prepared and executed by all borrowers and then recorded. If a modification agreement is used solely to correct an error on the Note, it is not necessary to record the document. A sample modification agreement is available in the Forms Library in the Portal.

nn. Wire Instructions/Bailee Letter

Merchants requires a bailee letter to be submitted with the delivery of the original Note to the following collateral shipment address:

U.S. Bank Global Corporate Trust Services
Document Custody Services
Attention: Private Certifications – Merchants Bank
1719 Otis Way
Florence, SC 29501

oo. Home Mortgage Disclosure Act

The Home Mortgage Disclosure Act (HMDA) requires mortgage lenders report data about:

- Home purchase loans, home improvement loans, and refinancing loans that they originate or purchase, or for which they receive applications (application date, action taken and date of that action, loan amount, loan type and purpose, and if the loan is sold, type of purchaser)
- Each applicant or borrower (ethnicity, race, sex and income).
- Each property (location and occupancy status).
- Rate spread if over certain thresholds, HOEPA status, and loan status
- Other data as specified in the CFPB Filing Instruction Guide
- Lenders can access "A Guide to HMDA Reporting-Getting it Right" at **www.ffiec.gov/hmda** or **www.ffiec.cfpb.gov**

The following illustrates Correspondent's HMDA reporting responsibilities:

- Delegated Loans
  - Correspondent takes the Application and underwrites the Loan; Merchants purchases the Loan. HMDA action: Correspondent reports the Loan as an origination on its LAR and Merchants reports the Loan as "Purchased"
- Non-Delegated Loans
  - Correspondent takes the Application; Merchants underwrites (makes the credit decision) and purchases the Loan. HMDA action: Merchants reports the Loan as "Originated" on its LAR and Correspondent is not required to report.
  - If Merchants denies the Loan, HMDA action: Merchants reports the Loan "Denied" on its LAR and Correspondent is not required to report.

oo. Home Mortgage Disclosure Act (cont.)

- If Merchants approves the Loan but does not purchase the Loan, HMDA action: Merchants reports the Loan "Approved Not Accepted" on its LAR and Correspondent is not required to report.
- If Correspondent withdraws Application before Merchants makes a credit decision, HMDA action: Merchants reports the Loan "Withdrawn" on its LAR and Correspondent is not required to report.

pp. Right of Rescission

- Use the rescission form that most accurately describes what is happening in the transaction
  - H-9 Rescission Model Form (Refinancing with Original Creditor) – applies when a creditor that has a prior lien on the Borrower's home extends additional credit that is also secured by the home
  - H-8 Rescission Model Form (General) – applies to a Loan from a creditor with no prior lien on the borrower's home. Follow Investor and Insurer requirements and guidelines
- Right of rescission documents must be signed and dated by Borrower and all parties on title
- Right of rescission should be signed and dated the same day as TILA disclosure and Mortgage was notarized
- New rescission must be issued if cancellation date is not within 3 full business days after date of the TILA disclosure and Mortgage notarized date
- If rescission is not signed by all applicable parties, if dates are missing or incomplete or if the Borrower did not receive a full 3 business days, Merchants will suspend for a new rescission period to be opened and disclosed to the Borrower. The new rescission notice must have current dates
- Waivers of rescission period are not permitted

qq. Credit and Appraisal

Merchants may randomly select Loans prior to purchase to satisfy itself that each Loan complies with the applicable Commitment and Correspondent's covenants, representations, and warranties. These reviews may be targeted to a specific area of review (such as collateral) or may require a full underwriting review of the Loan File. The review may include re-verification of Loan information which may include (but not limited to): employment, income, Social Security, Property information and valuation, as well as public records information.

rr. MERS Members

The following are MERS members policies:

- MERS members have an Org ID with MERS and can generate MIN numbers
- Correspondent may close Loans with MOM Mortgages, which will eliminate the need for an assignment
- MERS members must register Loans within 48 hours of purchase, and then transfer the Loan to Merchants
- Transfer to Org ID as referenced in Section 13.b.(v.) MERS Transfer
- If the Loan is not registered within five (5) calendar days after Merchants' purchase of the Loan, our servicing team will register the Loan with MERS and Merchants will send an invoice to Correspondent on a monthly basis to collect any fee incurred for the registration

The following is a list of common MERS errors made when interpreting Merchants' requirements regarding MERS as original mortgagee (MOM) l and Non-MOM Assignments:

- Ensure that the MIN (MERS Identification Number) is printed on the appropriate documents in the designated location. For MOM loans, the MIN should be printed on the Mortgage.
- If errors occur and Merchants is charged a fee from MERS to correct these errors, those fees will be charged to Correspondent

ss. Intervening Assignments

i. General

- Required only if Loan did not close using MERS as original mortgagee (MOM) Mortgage
- If required, must be assigned to "Mortgage Electronic Registration Systems Inc." and include 18-digit MIN #, MERS address and phone number

ss. Intervening Assignments (cont.)

- If Correspondent's Org ID, and MIN # is incorrect or missing, one of the following corrective actions can be taken:
  - Execute a mortgagee's affidavit to be recorded
  - In CA only – an Assignment from MERS to MERS may be recorded to correct the MIN#
  - Execute Mortgage modification to be recorded
  - Correct the Assignment and re-record
- If there is an Assignment of deed of trust, the trustee must be the same as on the deed of trust
  - Assignment Note date must match closing date on Note and Mortgage
  - County must be correct
  - Correspondent name must match Mortgage
  - Notary Section must be complete
  - Assignment should be a copy of the original, which is sent for recording
  - Must be signed by Correspondent representative

ii. **Assignment – MERS.** All Loans must be originated as MERS MOM loans and be assigned to Merchants Bank of Indiana. For information on MERS membership, visit MERS' website at **www.mersinc.org**.

tt. Interim Interest Calculation and Interest Credits

Merchants' charges interest to Correspondent and interest is calculated based on 360 days per year for all Loans. Merchants' Servicing Division must have sufficient time to process the Loan before the first full monthly payment is due, therefore an interest credit to the Borrower at closing can only be made up to the 7th day of the month.

uu. Year End Reporting

For Seasoned Loans, Correspondent must provide the 1098 to the Borrower for pre-paid interest collected at closing as reflected on the final Closing Disclosure for points paid by the Borrower to Correspondent. Merchants will only provide the 1098 for interest on payments received. If Merchants purchases the loan at original balance, Correspondent still must report pre-paid interest collected at closing.

SECTION ELEVEN: FUNDING REQUIREMENTS

a. Holidays

On federal holidays, Merchants and the U.S. Postal Service do not operate, and wire transfers of funds do not occur. Federal holidays are not included in the rescission period. Any funds that would otherwise be due for wiring on a federal holiday will be wired on the following business day.

b. Purchase Mortgage Loans at Scheduled Balance

Correspondent must collect any scheduled payments which were due prior to Merchants' purchase.

When Loans with a next due payment on the first day of the next calendar month are purchased after the 13th calendar day of the current calendar month, Merchants will amortize one additional payment resulting in a Loan purchase balance reflecting the scheduled balance after amortization of the payment(s), which will be lower than the current unpaid principal balance of the loan.

For example, when Loan with a first due of July 1st is purchased by Merchants on or before June 13th, the Loan will be purchased at the current balance. When Loan with a first due of July 1st is purchased by Merchants on or after June 14th, the Loan will be purchased at an amortized balance reflecting the application of the scheduled July 1st payment.

The effective date of transfer is determined by the type of purchase balance at funding giving consideration for amortization of the unpaid balance as described above. Correspondent must continue servicing the Loan and collecting payments up to this date and to forward all curtailments received during this time to Merchants.

A payment history will be required if one or more payments have been made by Borrower to Correspondent. This payment history must be provided prior to Merchants' purchase for any payments due before the Merchants' Purchase Date. For any scheduled payments due to the seller after the Purchase Date, the payment history can be provided after purchase as a trailing document.

c. Escrow Disbursement Responsibilities

Correspondent is responsible for payment of items scheduled to be disbursed from the borrower's escrow account under specific conditions. The sections below describe Merchants' escrow disbursement requirements and responsibilities:

i. Property Taxes.

Correspondent is responsible for paying all tax payments due within 30 days of Merchants' purchase date. All tax penalties incurred by Merchants arising from the delinquent payment of real estate taxes during this time frame are the responsibility of Correspondent. Correspondent will be required to provide acceptable evidence of payment when tax bills have been paid.

ii. Property Insurance.

Correspondent is responsible for paying all property insurance premiums due within 30 days of Merchants' purchase date. This includes all escrowed insurance items (i.e. Hazard, HO-6, Flood, Earthquake, etc.) except for mortgage insurance, which is covered in the section below. Correspondent will be required to provide acceptable evidence of payment when insurance premiums have been paid.

iii. Private Mortgage Insurance (PMI) and Government Mortgage Insurance Premium (MIP)

Correspondent is responsible for paying the monthly PMI/MIP for any months during which they have collected or are due a scheduled payment from the borrower. Correspondent will be required to provide acceptable evidence of payment when PMI/MIP has been paid.

iv. Escrow Balance Collected on Purchase Advice

Merchants will net an escrow account balance from the purchase proceeds reflected on the purchase advice. When Correspondent is responsible for payment of escrow disbursements according to the policy described above, Merchants will deduct the scheduled disbursement amount from the escrow balance collected on the purchase advice and leave those funds with Correspondent for payment. The escrow balance collected on the purchase advice will also include the escrow portion of any scheduled payments due to Correspondent.

Correspondent is responsible for remitting any funds not used for payment of required escrow disbursements items (i.e. disbursement item was already paid by Merchants or actual payment amount is less than amount left with correspondent) to Merchants so the funds can be applied to the borrower's escrow account.

d. Wire Transfer Process

Prior to wiring funds to Correspondent, Merchants will review the Closing Package and make a determination regarding its completeness and accuracy. If Merchants accepts the Closing Package for purchase, the following occurs:

- Using a bailee letter, Merchants wires the agreed-upon funds to Correspondent's approved warehouse lender. Merchants will make commercially reasonable efforts to initiate each wire transfer in sufficient time to credit Correspondent's account on the Purchase Date
- Purchase advice will be posted to the Portal and an email will be sent when available
- Any amounts owed by Merchants to Correspondent are subject to set-off, and amounts due to Merchants may be deducted (e.g., funding fee; standard flood hazard determination fee; MERS fee; tax service fee; or interest charges). Correspondent is solely responsible for the purchase advice reconciliation. Correspondent must immediately notify Merchants of any disputes. Correspondent waives any disputes with respect to purchase advice reconciliation if it does not notify Merchants within 30 days of the Purchase Date.

SECTION TWELVE: SERVICING Q&A – MSRS TRANSFERRED TO MERCHANTS

a. Servicing Frequently Asked Questions ("FAQs")

General Customer Questions – Customer Service

Q. How to contact servicing for Loans that Merchants has purchased?

A. mortgageservicing@bankmerchants.com

Q. What types of payment methods are available to a Borrower?

A. Merchants provides several payment options for Borrowers, including: automated draft, online banking, receipt of bill payments, (most bank systems are automated electronically) and check

Q. What is the current lockbox address for payments?

A. Merchants does not use a lockbox at this time. Payments should be mailed to the following address:

Merchants Bank of Indiana
C/O Mortgage Servicing Department
410 Monon Blvd.
Carmel, IN 46032

Q. If a Borrower's payment goes to Correspondent and is then forwarded to Merchants, will this be reported late or affect the Borrower's credit?

A. Many times, a Borrower will continue to send their payments to the previous servicer or lender. Pursuant to RESPA, Merchants does not report to the credit bureaus or assess late fees for sixty (60) days after the effective date of transfer if the Borrower sent their payment to the prior servicer or lender.

Q. How long does it take to get a recorded satisfaction after a Loan is paid off?

A. Recording time may differ by county or location of the Property. The time frames can range from seven (7) days to ninety (90) days post payoff.

Q. Are loan recasts allowed? If so, what are the requirements?

A. Loan recasts are allowed for Conventional loans only (not allowed for MPP or Government loans). The requirements follow:

1. Must be a Conventional loan.
2. Must be current on loan payments.
3. Minimum of 2 mortgage payments must be received by Merchants Bank.
4. Minimum curtailment payment of $5,000.00.
5. Recast fee payment of $250.00.
6. Written request from the borrower(s) or loan officer including the curtailment amount. You may use the email noted above, mortgageservicing@bankmerchants.com

General Questions – Escrow/Tax/Insurance/PMI

Q. What is the address if a Borrower wants to send in the escrow shortage from an escrow analysis?

A. Borrowers may mail payments to the following address:

Merchants Bank of Indiana
C/O Mortgage Servicing Department
410 Monon Blvd.
Carmel, IN 46032

Q. If a Borrower receives an insurance renewal or a bill directly, where should they send it?

A. The Borrower/insurance agent can mail the documents to:

Merchants Bank of Indiana
C/O Mortgage Servicing Department
410 Monon Blvd.
Carmel, IN 46032

Or, they may email the bill to escrow@bankmerchants.com

SECTION THIRTEEN: POST-PURCHASE RESPONSIBILITIES

a. Change of Servicer Notifications to Vendors

Correspondent must send the following notices:

- Mail notification to the taxing authority advising them of the change. The endorsement to request changing the servicer should read as follows:

  Merchants Bank of Indiana
  C/O Mortgage Servicing Department – Escrow Department
  410 Monon Blvd.
  Carmel, IN 46032

- Mail letters to the hazard insurance carrier(s) and flood insurance carrier (as applicable) advising them of the change. The new mortgagee clause should read as follows:

  Merchants Bank of Indiana, ISAOA/ATIMA
  C/O Mortgage Servicing Department
  PO Box 2071
  Carmel, IN 46082

- Mail letters to the private mortgage insurance carrier(s) advising them of the change. The endorsement request should read as follows:

  Merchants Bank of Indiana, ISAOA/ATIMA
  C/O Mortgage Servicing Department – Escrow Department
  410 Monon Blvd.
  Carmel, IN 46032

- All hazard and PMI insurance premiums as well as property taxes that will become due up to 30 days after the purchase date must be paid prior to the transfer. A list of any open items after transfer should be sent to:

  Merchants Bank of Indiana, ISAOA/ATIMA
  C/O Mortgage Servicing Department – Escrow Department
  410 Monon Blvd.
  Carmel, IN 46032

b. Servicing Transfer Actions Required

i. **Notice of Transfer of Servicing.** Per RESPA, at least fifteen (15) days prior to the effective date of the transfer or with proper notice at the time of closing, Correspondent must notify the Borrower in accordance Applicable Law of the transfer of the servicing to Merchants. The RESPA sample transfer notice form can be found in Exhibit C. Merchants will send a welcome letter/transfer notice to the Borrower after Loan boarding.

ii. **Taxes and Insurance.** Correspondent must notify real estate tax authorities and insurance companies and/or agents that the Servicing Rights are being transferred and instruct such entities to deliver all payments, notices, tax bills, and insurance statements to Merchants after the purchase. Correspondent must deliver such insurance policies or renewals as it may receive with respect to the Loan or the servicing to Merchants within five (5) business days of its receipt of same.

iii. **Flood Service Contracts.** Promptly following the applicable effective date of the transfer, Correspondent must notify the existing flood contract service provider to transfer the life-of-loan flood service contract to Merchants. Correspondent must pay any fees required to transfer the existing life-of-loan flood service contracts to Merchants. In the event a life-of-loan flood service contract is not in place, or not assignable or reasonably acceptable to Merchants, Correspondent must pay all fees necessary to obtain a life-of-loan flood service contract, as applicable, for the related Loan. The cost of life-of-loan flood service contracts will be invoiced.

iv. **Escrow Accounts.** If there is a shortage in the escrow balance, based on the purchase advice (e.g., incorrect MI coverage, unpaid MI premium, incorrect tax information or penalties) Correspondent must notify Merchants within thirty (30) days of the Purchase Date.

v. **MERS Transfer.** Correspondent must complete a TOS/TOB transfer in MERS within 48-hours of purchase by Merchants using the following instructions:

   Investor: Merchants Bank of Indiana
   Servicer: Merchants Bank of Indiana
   Org ID: 1009911

b. Actions Required Post-Transfer of Servicing (cont.)

vi. **Payment of Hazard Insurance Premiums.** Prior to transferring a purchased Loan, Correspondent must pay all hazard insurance premiums due within thirty (30) days of the purchase date provided that Correspondent has received bills for such insurance premiums. Merchants will leave funds from the purchase advice in order for Correspondent to pay the premium. Regarding Refinance transactions, hazard premiums due within sixty (60) days of the Closing Date must be paid on the CD. Correspondent must immediately deliver to Merchants all bills and correspondence related to the Loan subsequent to Merchants' purchase.

vii. **Property Taxes.** Prior to transferring a purchased Loan, Correspondent must pay all tax bills (including interest, late charges, and penalties due within thirty (30) days of the Purchase Date that are issued by a taxing authority and related to the Property and that are received by Correspondent or its tax service provider prior to the Purchase Date. If taxes are due within thirty (30) days of the Closing Date, taxes must be paid on the CD. Merchants will leave funds from the purchase advice in order for Correspondent to pay the taxes. Correspondent, or its tax service provider, shall immediately forward to Merchants all tax bills received. The foregoing shall in no way impose upon Merchants an obligation to pay any taxes (including interest, late charges, and penalties associated therewith) for which a title insurer has an obligation to pay by virtue of the terms of a mortgagee policy of title insurance which is issued in connection with the origination of the Loan, and which insures Merchants subsequent to the Purchase Date.

viii. **Internal Revenue Service Forms.** Correspondent must file all Internal Revenue Service forms, including, but not limited to, forms 1099, 1099A and 1098, as appropriate, which are required to be filed with respect to a Loan for activity occurring on or before year end of the preceding calendar year.

c. Trailing Documents

Correspondent must send the following trailing documents as outlined below: (1) original (or county certified copy) recorded Mortgage*, (2) final title policy, and (3) recorded Assignment(s) (NOTE: Do not send any trailing documents until Merchants has purchased the Loan):

Correspondent has three options to deliver the above trailing documents:

i. **Shipping.** Correspondent may ship the trailing documents utilizing the Merchants Correspondent Final Document Transmittal Form published on the Portal to the following:

   Indecomm Global Services/Final Docs Mail StopCode-FD-MB9700
   1427 Energy Park Drive
   St. Paul, MN 55108

   Correspondent must also email a copy of the completed Merchants Final Document Transmittal Form to **Merchantsbank.Docgenius@Indecomm.net**

ii. **Upload to DocGenius.** Correspondent may upload the trailing documents via the DocGenius Portal. To Register for the DocGenius portal, use the following link: **https://dmg.indecomm.net/ViewPointUpload/**

iii. **Email.** Correspondent may email the trailing documents to **Merchantsbank.Docgenius@Indecomm.net**

*Government Loans – FHA/VA/USDA require the original Mortgage to be mailed, options (ii) upload and (iii) email are not permissible.

Correspondent will have online access to trailing document reporting. Please contact your operations client manager for online access (including sign-on credentials) and training. Correspondent may also send an e-mail to postclosing@merchantsbankofindiana.com and Merchantsbank.Docgenius@Indecomm.net to receive sign-on credentials. Below is a hyperlink for the DocGenius Final Doc System: **https://dmg.indecomm.net/docgenius/Login.aspx**.

Merchants will assess a $125.00 per Loan fee for missing trailing documents aged greater than 180 days from the expected return date (differs by county). If documents are still not returned after 240 days, additional fees may be assessed.

EXHIBIT A

Schedule of Fees

Agency - Delegated Loans

Service	Fees
Total Fees	$410.00

Agency - Non-Delegated Loans

Service	Fees
Total Fees	$850.00

Merchants Premium Program – Delegated Loans

Service	Fees
Total Fees	$ 695.00

Merchants Premium Program – Non-Delegated Loans

Service	Fees
Total Fees	$ 995.00

EXHIBIT B

Closing Package

Use the following list to ensure each Closing Package has the all documents required by Merchants:

- Copy of Note sent in custodial/collateral package
- Certified copy of the recorded power of attorney (if applicable)
- Name affidavit (if applicable)
- Copy of Mortgage with legal description and PUD/Condo/ARM riders (if applicable)
- MI Certificate (if applicable)
- Request to MI company changing servicer (Loan sale notice)
- Copy of the hazard insurance policy and paid receipt
- Copy of request for endorsement to hazard policy changing mortgagee clause
- Flood Determination Certificate
- Copy of flood insurance binder, or original flood policy and paid receipt, if applicable
- Copy of request for endorsement to flood policy changing mortgagee clause, if applicable
- Tax information form
- Borrower consent to the use of tax return information
- Copy of title binder or original title policy and endorsements
- PUD/Condo/ARM endorsements
- Copy of the first payment letter
- Copy of Loan history (required if any payments or principal curtailments have been made)
- Copy of Notice of Transfer of Servicing to Borrower
- Closing Disclosure(s)
- Final typed Application signed by Borrower
- Buydown agreement
- Executed right of rescission, if applicable (refinance loans only)
- Copy of current survey, if applicable
- Copy of the W-9
- Final DU findings report or LP feedback certificate
- Complete original Credit File
- 2 years tax transcripts for all self-employed Borrowers
- Complete original appraisal package with original photos
- MIN summary
- 1008 underwriting summary
- Initial escrow account disclosure
- Trust documents (if applicable)
- W-8 and/or W-7 (if applicable).
- Condo policy – must include HOA management name and contact telephone number
- Condo project questionnaire (if applicable)
- The copy of the hazard insurance policy must show HO6 or 'walls in' for condo homes
- Loan modification agreement(s) (if applicable)
- WI Tax Option form (for Properties located in Wisconsin)
- Patriot Act information disclosure
- Loan Estimate
- Amortization schedule
- Fraud report
- Privacy notice
- ATR/QM.
- Closing instructions
- Mortgage Insurance disclosure
- Tax certification
- Escrow waiver (if applicable)

EXHIBIT C

Sample Notice of Servicing Transfer

[Note to Correspondent: Transfer date is the date the first payment due to Merchants]

[Correspondent Letterhead]

[Date]
[Name]
[Address 1]
[Address 2]

RE: Notice of Servicing Transfer

Dear [Name]:

The servicing of your mortgage loan is being transferred, effective [Date]. This means that after this date, a new servicer will be collecting your mortgage loan payments from you. Nothing else about your mortgage loan will change.

[Name of present servicer] is now collecting your payments. [Name of present servicer] will stop accepting payments received from you after [Date].

Merchants Bank of Indiana will collect your payments going forward. Your new servicer will start accepting payments received from you on [Date].

Send all payments due on or after [Date] to Merchants Bank of Indiana at this address: 410 Monon Blvd., Carmel, IN 46032.

If you have any questions for either your present servicer, [Name of present servicer] or your new servicer [Name of new servicer], about your mortgage loan or this transfer, please contact them using the information below:

Current Servicer:	New Servicer:
[Name of present servicer]	Merchants Bank of Indiana
[Individual or Department]	Mortgage Servicing Department
[Telephone Number]	844-222-6562
[Address]	410 Monon Blvd., Carmel, IN 46032

Important note about insurance: If you have mortgage life or disability insurance or any other type of optional insurance, the transfer of servicing rights may affect your insurance in the following way: if you currently have optional insurance, we will not continue to bill you for the same premium. Please contact your insurance carrier to make payment arrangement.

Under Federal law, during the 60-day period following the effective date of the transfer of the loan servicing, a loan payment received by your old servicer on or before its due date may not be treated by the new servicer as late, and a late fee may not be imposed on you.

[NAME OF PRESENT SERVICER]

[DATE]

VERSION HISTORY

Effective Date	Version	Description of Changes Made
2/6/2026	2.3	Version History Implemented Jan 2026 **Section 4, q. Suspense Fee Language** Revision, Clarification and MPP additions **Section 8, b. Curtailment Purchase Price Protection Fee** Addition for MPP Loans **Section 10, h. iii 4506-C Form** Revision and Clarifications **Section 10, l. GSA, LDP, Exclusionary List** Removed Merchant's list reference Revision and clarification
3/2/2026	2.4	**Section 4, Registration and Commitments:** n. Lock Expiration Date Added Incomplete Delivery language q. Suspense Fee Added per diem fee for loans aging after 31 days with 3 bps per day Increased per diem fee from 1.5 to 2 bps per day
9/4/2026	2.5	**Section 8, Merchants Premium Program** Add c. Loan Recast **Section 12, Servicing Q&A – MERS Transferred to Merchants** Add an additional Q&A at the end of General Customer Questions – Customer Service Loan Recast Requirements