



## Vendor Management Program

---

### Table of Contents

<b>SECTION 1 – Introduction .....</b>	<b>2</b>
<b>SECTION 2 – Vendor Risk Assessment.....</b>	<b>2</b>
<b>SECTION 3 – Initial Due Diligence .....</b>	<b>3</b>
<b>SECTION 4 – Contract Negotiation/Implementation .....</b>	<b>3</b>
<b>SECTION 5 – Ongoing Monitoring .....</b>	<b>4</b>
<b>SECTION 6 – Broker Approval .....</b>	<b>4</b>
<b>SECTION 7 – Correspondent Applicant Processing.....</b>	<b>6</b>



## Vendor Management Program

---

### SECTION 1 – Introduction

Our vendors enhance our company's abilities and become strategic business partners, helping to execute our corporate goals. However, while we can choose to outsource a process or activity, we cannot outsource risk and accountability. We owe it to our employees, our management, our investors, and our borrowers to exercise proper oversight of our vendor relationships.

Our vendor management program revolves around 4 key areas:

1. Vendor Risk Assessment
2. Initial Due Diligence
3. Contract Negotiation and Implementation
4. Ongoing Monitoring

In addition to vendor assessment and monitoring, the Vendor Management department is also responsible for:

1. Broker application processing, approval, and management
2. Correspondent lender application processing
3. Other miscellaneous projects as assigned by the Compliance VP or upper management

### SECTION 2 – Vendor Risk Assessment

- Maintain an inventory of all current vendors.
  - Be sure to have an individual or department contact for immediate assistance with issues that arise in the course of business.
  - Be sure to have the most current contact and location information for the vendor's main office of operations.
  - If a relationship with a vendor is terminated for any reason, their name should be removed from the current Vendor Inventory but their contact information should still be kept in case of the need for future contact.
- Complete and store a Primary Risk Assessment form for each vendor.
  - With input from the Compliance and Legal departments, we assess in detail all aspects of what service or product the vendor provides and what risks are inherent to their service or product. A PDF template for the vendor risk assessment form is located at L:\Citadel Servicing Corp\Vendor Management\Vendor Risk Assessments.
  - The main areas of focus of the assessment are access to nonpublic information of borrowers or employees, potential regulatory or compliance hazards, and the criticality of the vendor to our business operations.
    - Low Risk vendors are ones that are easily replaceable, have little to no access to nonpublic information, and have little chance of creating a compliance hazard OR ones that are so large and broad in their scope that the business relationship poses more of a danger to them than it does to us.



## Vendor Management Program

---

- Medium Risk vendors are ones that are critical to our business but easily replaceable, have some access to nonpublic information and may or may not pose a compliance hazard.
- High risk vendors are ones that are mission critical and not easily replaceable, have substantial access to nonpublic information, and pose a significant compliance or regulatory hazard.
- On a case by case basis, the compliance and legal departments can request additional areas of focus depending on the nature of the vendor's relationship with CSC.
- Submit a Vendor Information form to our contact at each company we engage in business according to a time schedule based on their risk rating.
  - The vendor information form PDF template is located at L:\Citadel Servicing Corp\Vendor Management\Vendor Risk Assessments.
  - See "Ongoing Monitoring" section for details and timelines.

### SECTION 3 – Initial Due Diligence

- Utilizing whatever tools are in place at the time, a background check should be performed on the company and any owner that represents 20% or more ownership interest.
- Utilizing whatever tools are in place at the time, be it either a subscription database or public access database, research should be done into the reputation and public business dealings of the vendor.
  - Identify any areas of concern that should be addressed prior to engaging in a contract for their services.
  - If there are any concerns about any aspect of the condition of the vendor or any potential business arrangement, management should be notified immediately for guidance.

### SECTION 4 – Contract Negotiation/Implementation

- When seeking a business arrangement with a service provider, they will typically have a standard contract that they will present to us for review and execution
  - General Counsel and upper management are primarily responsible for evaluating and revising proposed contracts
    - General Counsel will review several points of the contract, ensuring there are clear expectations about compliance as well as appropriate and enforceable consequences for violating any compliance related responsibilities, including engaging in unfair, deceptive or abusive acts or practices
  - If a service provider does not have a standard contract for our review and agreement, General Counsel will be responsible for producing a contract for agreement
- Maintain a database of all executed contracts
  - Hard copies are kept in the office of the General Counsel
  - Digital copies are centralized in a Vendor Contracts folder on the company shared operations hard drive and are available for management review at any time.



## Vendor Management Program

---

- If a relationship with a vendor is terminated, their executed contract should remain on file indefinitely, both in hard copy and digital format.

### SECTION 5 – Ongoing Monitoring

- Based on the risk evaluation of the vendor, a schedule of periodic contact and monitoring is established.
  - Low risk vendors should be contacted every 18-24 months and presented with a new Vendor Information Form to evaluate if any substantive changes have occurred to their policies or processes.
  - Medium risk vendors should be contacted every 12 months and presented with a new Vendor Information Form to evaluate if any substantive changes have occurred to their policies, processes, ownership, training or oversight of employees.
  - High risk vendors should be contacted every 6 months and presented with a new Vendor Information Form to evaluate if any substantive changes have occurred to their policies, processes, ownership, resiliency, financial condition or corporate status.
- If any issues are discovered that may affect the ability of the vendor to perform their function or comply with state and federal laws pertaining to their industry, escalate the matter to upper management.
  - With input from management, engage our point of contact at the company to develop a remediation plan to address the deficiencies.
  - Track the issue to ensure remediation plans are adopted and followed.
  - Close issues when proof of remediation has been provided.

### SECTION 6 – Broker Approval

Mortgage brokerages are typically small companies that do not have the ability or expertise to fund and sell mortgages into the traditional secondary market. Instead, brokers secure relationships with multiple lenders and initially provide consumers with a single contact who can provide information about a large selection of loan program options from which to choose. A broker can assist applicants in identifying a loan program with a lender acceptable to the borrower at competitive rates. The broker is paid a commission by the borrower and/or lender for bringing the borrower and lender together to originate the mortgage.

The sales department, through our individual Account Executives, is responsible for identifying and sourcing all potential broker applicants. They are also responsible for providing the application and list of required supplementary documents to the potential applicant, as well as working with the applicant to compile all the requested application materials. Currently the required application materials are:

1. Company Profile
2. Broker Agreement
3. Loan Fraud Zero Tolerance Disclosure
4. Loan Originator Compensation and Anti Steering Attestation Agreement

These documents together comprise a complete broker application package. In addition, Mortgage brokers and their individual sales personnel must be licensed in compliance with the Nationwide Multistate



## Vendor Management Program

---

Licensing System & Registry (“NMLS”). The National Sales Director or Chief Operating Officer are responsible for the final broker approval decision.

- Review the applications for completeness.
  - AEs will submit broker packages directly to the vendor management department via email.
  - When an application is received, review the document for completeness. All company, ownership and management information should be complete on the company profile.
  - All signature boxes should be complete, along with the name of the company and title of the signer. Dates should be complete where applicable.
  - If the applicant has made any redlines or suggested revisions to the contract, notify the National Sales Director and General Counsel. All suggested revisions to the contract must be approved by upper management.
  - If there are any deficiencies noted, such as missing signatures, missing pages, or incomplete company information, notify the submitting AE. It is the responsibility of the AE to follow-up with the applicant to obtain any missing or incomplete information
  - Set any incomplete applications aside until the deficiencies are cured.
- If the application package is complete, use NMLS Consumer Access to view the states where the applicant is authorized to conduct business and the type of license they hold.
  - In states that have multiple regulatory agencies (CA, TX, SC, UT), check to see that the license of the applicant is compatible with our license. If their license is issued by the other entity in the state we may not be able to accept business from them in those states.
  - Print the main company page that lists all current licensing held by the company.
    - Under “State Licenses/Registrations” select “View All Details”
    - Highlight the fields that show the company name, NMLS ID, Sponsored MLOs, state of license, type of license, authorization status, expiration date, and regulatory actions.
    - Include the printout at the end of the broker application package.
    - The “Sponsored MLO” count cannot be 0. At least 1 sponsored MLO is needed for approval. If the Sponsored MLO count is 0, notify the submitting AE. It is the responsibility of the AE to follow-up with the applicant to make sure they sponsor an MLO.
  - Verify that there is an active Mortgage Loan Originator (“MLO”) in each state where the company is authorized to conduct business.
    - Print the LO page that lists all current MLO licenses held by the individual. Make sure all states are represented. You may need to print pages for multiple LOs if they do not have one single LO with licensing in all their states.
    - Highlight the individual’s name, NMLS ID, Employment, state of license, type of license, authorization status, expiration date, and regulatory actions.
    - Include the printout at the end of the broker application package.
  - NMLS Consumer Access will also display any actions against the company from state regulators.
    - If regulatory actions exist, print a copy of the PDF document they provide on the website and include it with the broker application.
  - NMLS Consumer access will also display any active branch locations of the broker.



## Vendor Management Program

---

- If branches exist, click the "View all Branches" link.
  - Print the page that shows all branch locations and include it with the broker application.
- Print and present the completed and vetted broker application package to the National Sales Director for final evaluation and execution. If the National Sales Director is absent, the COO can evaluate and execute the agreements.
- Once an application has been accepted and executed by the National Sales Director, the approved broker should be added to the master Approved Broker Spreadsheet.
  - The master Approved Broker Spreadsheet is located at L:\Citadel Servicing Corp\Originations\Broker Approvals.
  - Create a new row entry for each newly approved broker on the "Approved" tab. Complete each column as appropriate, ensuring that every state license is listed.
    - If the broker has branch locations, create a new row entry for each individual branch location on the "Branches" tab. Complete each column as appropriate, ensuring that every state license is listed.
  - Scan each individual broker agreement for electronic storage. Move the PDF documents from the "Scans" folder at L:\Citadel Servicing Corp\Scans into the "Scanned Broker Agreements" folder, located at L:\Citadel Servicing Corp\Originations\Broker Approvals\Scanned Broker Agreements.
  - Once the scanned agreement is saved in the electronic file, shred the paper application.
- Notify the broker of their approval.
  - Send an email to the listed broker contact on the application, copying the submitting AE, the AE's direct manager, and the National Sales Director.
  - Specify that they have been approved as a broker to CSC. Attach a PDF copy of the executed agreement, as well as the current rate sheets for our programs.
  - Reiterate their AE assignment, and include the AE's contact information.

## SECTION 7 – Correspondent Applicant Processing

The Correspondent Sales department is responsible for identifying and sourcing all potential correspondent lender applicants. They are also responsible for providing the application and list of required supplementary documents to the potential applicant, as well as working with the applicant to compile all the requested application materials. When the correspondent department has complied the necessary application materials, the Vendor Management department is notified. The application documents (both physical and electronic versions) are handed over to the Vendor Management department for initial applicant processing.

- Review the application package for completeness.
  - Refer to the cover page of the correspondent application for the most current checklist of required documents.
  - All requested documents should be present. If any documents are missing or incomplete, notify the correspondent sales department, but continue the initial processing procedures. If the missing items are critical to any of the below steps, return the file to the correspondent sales department until the required documents can be obtained.



## Vendor Management Program

---

- Review the “Mortgage Loan Purchase Agreement” contract and the “CSC Non-Disclosure Agreement” to ensure all necessary signatures have been obtained and that no revisions or redlines exist. If the applicant has made any revisions or redlines to the MLPA or NDA, notify the General Counsel, and continue the initial processing procedures.
- Any individual who represents 20% or more ownership interest in the correspondent applicant is subject to a credit check.
  - Request a credit report through our credit report vendor for any 20% or more owner. The necessary personal information for the pull can be obtained through the application document called the “Authorization to Investigate Background” form.
  - Store an electronic copy of the credit report at L:\Citadel Servicing Corp\Originations\Correspondent\Approvals in Process\ (Applicants Name)
  - Print and store a hard copy of the credit report in the hard copy file.
- By completing the application, the company agrees to allow CSC to conduct a corporate background check by obtaining a consumer report from an outside vendor.
  - Request a corporate background check through whichever vendor is being used at the time.
  - Confirm that all details are input precisely to ensure accurate results.
  - Store an electronic copy of the corporate background check at L:\Citadel Servicing Corp\Originations\Correspondent\Approvals in Process\ (Applicants Name)
  - Print and store a hard copy of the corporate background check in the hard copy file.
- Verify mortgage industry licensing
  - Use NMLS Consumer Access to view the states where the applicant is authorized to conduct business and the type of license they hold. Make note of any expired or deficient licenses. (Note: The corporate background check may also have a feature that verifies licensing, but it is helpful to see it first hand from the NMLS)
    - In states that have multiple regulatory agencies (CA, TX, SC, UT), check to see that the license of the applicant is compatible with our license. If their license is issued by the other entity in the state we may not be able to accept business from them in those states.
  - NMLS Consumer Access will also display any actions against the company from state regulators.
    - If regulatory actions exist, print a copy of the PDF document they provide on the website and include it in the hard copy file.
    - Store an electronic copy of the regulatory action documents at L:\Citadel Servicing Corp\Originations \Correspondent\Approvals in Process\ (Applicants Name)
- Verify corporate existence in all the states where the company holds mortgage licensing
  - Visit the page of the secretary of state website for each state in which the applicant holds mortgage licensing. Locate the “corporation name search” function.
  - Search the company. Make sure the company is listed and has a status that indicates they are able to conduct business (such as Active, Good Standing, or Registered)
  - Print a screenshot of each affirmative registration and include it in the hard copy file. Store an electronic copy of the corporate status documents at L:\Citadel Servicing Corp\Originations \Correspondent\Approvals in Process\ (Applicants Name)
- Complete the “Correspondent Approval Write-Up” Summary



## Vendor Management Program

---

- An excel template is located at L:\Citadel Servicing Corp\Originations\Correspondent\Approvals in Process
  - Fill in as much information as you can from the application documents, focusing on the precision of financial and production data.
- Organize the hard copy file in preparation for upper management review
  - Upper management will review the hard copy of the correspondent application file during the final correspondent approval meeting.
  - Make sure each checklist item is clearly labeled in the file with tabs that indicate exactly where they are located and are easy to read
  - Place “Sign Here” sticky tabs at all places that require a signature by CSC upper management
- Approved correspondent lenders should be contacted twice a year to update us on the results of any state audits or regulatory exams.
  - In March and September each year, the vendor management department should reach out to our points of contact at each approved correspondent lender to see which states, if any, have audited or examined their operations in the 6 months prior.
  - If a state audit or exam has been performed in the 6 months prior, request a copy of the results for review by upper management.
  - If no state audits have been performed in the 6 months prior, no action is needed.

All procedures discussed are subject to change. Please contact the VP Compliance, National Sales Director, Correspondent Sales Director, COO or any member of executive management to confirm any policies or procedures discussed.