



Loan Administration Policy

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Loan Administration Policy

SECTION 1 – INTRODUCTION

A. Purpose

Citadel Servicing Corporation (“CSC”) maintains a Loan Administration department with the mandate to insure specific standards and procedures for the origination of quality mortgage loans. Its purpose is to verify the integrity of credit documents, legal documents, that underwriting decisions conform to policy, specific investor requirements and verify regulatory compliance.

B. General Policy Statement

All literature relevant to the proper origination, processing, underwriting, closing, and auditing of mortgage loans will be maintained in a central location in each CSC branch office so as to be readily available to applicable departments and personnel. This literature is to include but not limited to internal policy manuals, investor handbooks, compliance regulations, bulletins, circular letters, and corporate memoranda. All personnel are expected to study and become familiar with the information contained therein. New material is to be reviewed regularly with the staff to insure full understanding.

C. Policy

All loan origination employees must read, understand, and comply with CSC policies and procedures. Any employee failing to comply with the policies, rules and regulations prescribed herein or who commits or is a party to fraud or misrepresentation is subject to disciplinary action.

No employee will pay any fee, kickback, compensation, or thing of value, including a fee representing all or a portion of the origination fee. Legitimate loan broker fees, paid for the outside processing or origination of a loan, will be properly disclosed and is to be paid by or at CSC’s sole discretion and not by any employee.

Any employee who learns or suspects fraud or misrepresentation by applicants, other employees, loan originators, or vendors must inform management immediately. Similarly, employees should report knowledge of deliberate violations of other procedures or policies as outlined herein.

Depending on the severity and number of violation incidents, management will impose appropriate sanctions that include, but are not limited to, severe reprimand, probation, full or partial loss of commission, termination, and/or prosecution. In addition, reports will be made to the appropriate investor(s), as they require.

CSC reserves the right to remove any origination source, escrow company, closing agent or other vendor from an approved list and/or refuse to accept their services upon the receipt of evidence that the firm or any employee of the firm participated or was aware of any impropriety that was not reported to CSC. Criminal acts will be reported to the appropriate legal authorities.



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SECTION 2 – MORTGAGE BROKER APPROVAL AND MAINTENANCE

A. Purpose

Only Brokerage firms approved pursuant to the following policies will be eligible to provide CSC with mortgage loan submissions. Mortgage brokers and their individual sales personnel must be licensed in compliance with the Nationwide Multistate Licensing System & Registry (“NMLS”).

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.

B. Required Information and Documentation For Broker Approval

- a) NMLS Company Loan Origination Identifier
- b) NMLS Mortgage Loan Originator (“MLO”) Identifier
- c) Completed & signed original W9.
- d) Signed Zero Tolerance Fraud Statement.

C. Approval Process and Requirements

a) Process

All licenses/certifications will be verified with the issuing entities including State and NMLS registry to confirm that the company does hold current valid licenses/certifications.

b) Approval and Maintenance

• Approval

Each loan submission will require CSC personnel to document in the individual file compliance with licensing via the NMLS for the Company and the MLO.

An internal check will be performed to insure that CSC has on file a W9 which has been provided to the accounting department for payment tracking and year-end reporting.

A further check will be instituted to insure that the Company’s address, telephone and facsimile numbers, as well as electronic mail addresses are on file along with that of the key officers of the Company.

• Maintenance

At the time the Company is initially approved a file is created where all information used to determine the broker’s ability is maintained and updated with each loan submission.

• Annual Review



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Each approved firm will be re-evaluated annually. The timing of the annual review is under the discretion of CSC; however, each approved firm must be reviewed every calendar year.

The department will conduct the annual reviews according to the guidelines below. The annual review will consist of updating the information used to make the original approval decision, as well as assessing the performance since the last review. The performance assessment will focus on the compliance with CSC's policies and procedures and the reasonableness of the business value including number of loans submitted, number of loans approved and closed as well as payment history for those closed loans.

SECTION 3 – LOAN INTEGRITY INVESTIGATION

A. Purpose

CSC accepts loan requests directly from applicants (retail loans) and from broker origination sources. As brokers are the primary source of CSC's new mortgages, it is imperative that these companies be evaluated to confirm that their business practices do not place CSC at risk legally or with its investors. Brokers must provide CSC with appropriate licensing with the NMLS. Refer to the Broker Approval process for further details on approval policies.

Loan Origination will recommend the Loan Administration department review pre-closing, early payment default, and post-closing loans to verify the accuracy and integrity of the loan submission and/or the broker. This might include a recommendation of suspension of the broker based on the final finding.

B. Scope of Review

a) Selection Criteria

- **Pre-Closing**
The department upon request investigates pre-closing loans by Origination for suspicious documents regarding the integrity of the loan file.
- **Post-Closing**
The department at the request of Internal Audit Quality Control and Loan Servicing for early payment default investigates post-closing loans.
- **Early Payment Default**
Contractual agreements for Broker format the selection criteria. Loans are selected for investigation for early payment default of months 1 through 3 if required by the individual investor.

b) The Investigation

When an investigation is requested on a loan file, the search criteria are critical. The purpose is to verify the authenticity of the original document.

- **The Re-verification**



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A cover letter to the applicable party accompanies all documents for re-verification. The cover letter states an audit is being performed and verification of the attached original document is requested. The applicable party is asked to date & sign the letter and return it with the document being re-verified, either by fax or regular mail. All re-verified documents are date stamped in with the processor's initials.

This includes but is not limited to, credit reports by a different credit bureau only used by the department, where all three bureaus are pulled; VOE, verification of employment and/or paycheck stubs & W2's; VOD, verification of deposit and/or bank statements; VOM/VOR, verification of mortgage rating or landlord; 1040's, federal income tax returns; 1003, application; rental agreements and any other documents deemed necessary to verify integrity regardless if it was used for qualifying the applicant for the loan or broker approval.

Borrowers are requested to verify the accuracy of the application, occupancy and their signature. Banks and other entities are asked to verify the validity of the document delivered to them. The emphasis is placed on whether it is the borrower's, are the amounts as stated at the time of verification, was it completed by an authorized person of their institution, etc.

IRS is delivered a 4506 request to verify the validity of the income documents in the file including W2's, 1099's, 1040's & 1120's. The IRS will respond with results within 10 days typically. The 4506 represent a print out of the filing for the years requested line item by line item. The IRS print out is then compared to the documents in the file.

Title companies are requested to fax copies of recorded documents to compare to the documents in the file such as grant/quit claim deeds, trust deeds.

- Searches

Online searches may be performed to establish ownership of a social security number, residence, business, bankruptcy, lien's, judgments, UCC filings, location of a missing person for collection of the debt, assets for a judicial foreclosure. Most searches are conducted in real time, but a few require retrieval from a public recorder office and will be mailed or faxed.

- Communication

It is necessary in the course of the investigation to have oral communication with the applicable parties-borrowers, employers, banks, etc. This process of the investigation is an integral part as many times confessions are admitted and/or other sources of information that will lead to the truth are revealed.

Senior management in charge of loan production is notified and presented with the final conclusion of the investigation. The department may recommend suspension of the parties involved at this time for the fraudulent origination.

After senior management's review, the applicable originating Broker is advised of the findings and pending action, which will follow in writing.

c) Repurchase

Upon senior management's review as stated above in paragraph 3c an internal memo is generated by the department along with pertinent documentation supporting the decision and repurchase is recommended.



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d) Suspension

The department recommends suspension of a Broker only when factual documentation is retrieved.

Brokers may be suspended for fraudulent origination based on one offense if they generated the documentation. This is inclusive of, but not limited to verifications, credit reports, and on occasion, tax returns.

Broker Approval receives a copy of repurchase memo as stated in paragraph 3(d) above with the instruction and authorization by senior management to suspend, indicate on the computer system and inform the broker in writing of their new status.

e) Governmental Agency Filings

A filing is completed after final conclusion of the investigation and submitted at the end of each month to the Department of Real Estate (DRE) or the applicable agency in the form of a diskette.

The filing includes all parties involved in the transaction regardless of their innocence or guilt. These may include all borrowers, broker, credit bureau, AMC, realtor, seller(s), escrow, title, notary, tax preparer, employer, landlord, etc.

f) Monthly Summary Report

At the end of every month a summary report including all investigations that have been concluded for the month is generated. This report indicates the loan number, borrower name, city, originating lender and selling lender, underwriter & second signor, program type, loan to value, debt ratios, credit scoring before & at time of investigation, first payment date, due date at time of investigation and at conclusion and a narrative of the findings, results, suspension and filings.

SECTION 4 – APPRAISAL MANAGEMENT COMPANY APPROVAL AND MAINTENANCE

A. PURPOSE

Only appraisal management companies (AMCs) approved pursuant to the following policies will be used to obtain appraisal reviews or retail appraisals except in extenuating circumstances approved by Senior Management. CSC will process the submitted information as outlined below:

B. REQUIRED INFORMATION and DOCUMENTATION

- a) Written request for approval from the appraisal firm or representative.
- b) Copies of current legible state appraisal license/certifications for principals, officers, and key operations personnel.
- c) Personal resumes for all principals and/or officers and operations personnel including a list of continuing education courses completed in the last two years.
- d) Completed & signed original W9
- e) Last two years and most current through last quarter financials (exceptions waived on case by case basis only by senior management)



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- f) Three current lender references, name address, phone number & contact person
 - g) Price list
 - h) Service area description
 - i) Promotional material
 - j) Copies of samples of work for SFR, Condo/PUD, Units, UCIAR, Desk & Field reviews, Land and Multi-family (71A/B)

C. APPROVAL PROCESS and REQUIREMENTS

a) Process

Upon receipt of a request for an AMC approval and document package, the department will review the contents to confirm that all necessary information and documentation is included. All material is date stamped when received.

Resumes of officers, principals and key operations staff (supervisors, senior AMCs, etc.) will be reviewed to confirm that all have at least five years of residential appraisal experience, three years of residential appraisal review experience and completion of at least two continuing education appraisal courses in the last two years.

A minimum of three current lender references must be provided from geographical areas where the firm performs reviews and appraisals. References will be interviewed to obtain information related to report accuracy, service quality, production volume, and areas of expertise. Negative responses from any reference may result in denial of the review firm.

All AMC licenses/certifications will be verified with the issuing entities to confirm that the reviewers and AMCs hold current valid appraisal licenses/certifications. Provisional license/certifications are not acceptable. Internet access to verify any state violations or suspension is also checked. The company reviews financials to assure proper business and cash management. Large infusions of capital may be questioned. A CPA firm need not audit the financials.

Satisfactory work samples are required evidencing proficiency in performing desk and field reviews and appraising single family, two-four unit, condominium and multi-family properties (if applicable) in the geographical areas being considered for approval. Approval will be limited to the geographical areas and services where experience and expertise has been documented.

Firms must provide copies of the declarations pages for current Errors & Omissions and Business Liability policies showing at least \$1 million coverage for each occurrence.

b) Appraisal Reviewer Approval and Maintenance

- Approval

When the process outlined above is completed, the appraisal reviewer file will be forwarded to senior management in charge of production, who will review and analyze the package and approve or deny the request in writing.

Approvals may be limited by geographical areas and/or to either desk or field reviews only from approved review firms.

The department will forward the original W9 provided to the accounting department for payment tracking and year-end reporting.



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The department will issue a memo naming the approval status, address, phone & fax numbers and applicable appraisal limitations. The appraisal firm will receive written notice of their status and limitations and advised of the annual reviews and re-certification requirements.

- Maintenance

At the time, the AMC is placed on the approved list a file is created where all information used to determine the AMC's ability is maintained.

AMCs that are not approved also will have a file that is maintained by the department with all original applicable documents and senior management's denial decision.

- Annual Review

Each approved AMC will be re-evaluated annually. The timing of the annual review is under the discretion of the department; however, each approved AMC must be reviewed every calendar year.

The department will conduct the annual reviews according to the guidelines below. The annual review will consist of updating the information used to make the original approval decision, as well as assessing the AMC performance since the last review. The performance assessment will focus on the AMC's compliance with CSC's appraisal policies and procedures and the reasonableness of the value estimates reported.

A listing of all currently approved AMCs will be maintained along with the date of the last annual review. AMCs to be selected for review will be extracted from this list. The first step is to send a letter to the AMC requesting the following updated information.

- Legible copies of current license
- Updated resumes of Principals, Officers, and/or key personnel
- Copy of declarations page from current E&O policy & Business Liability policy
- Current financial statements
- Newly executed W9

Once all the updated documentation is received, it will be compared to the prior evaluation and positive and/or negative trends in the AMC's financial condition will be noted. Failure of the AMC to maintain current licenses and adequate E&O insurance will be cause for removal from the approved list. The receipt and acceptability of the updated information will be documented on the annual AMC evaluation.

The primary focus of this evaluation is to assess the AMC's compliance with CSC policies as well as the reasonableness of their value estimates. The results of this review process during regular quality control reviews or through the underwriting process, an appraisal is found to be materially deficient, the AMC would be considered for removal from the approved list. A materially deficient appraisal is one with a significantly overstated final value or one containing known fraudulent or misleading information.

- Reports

Periodic reports of the approved form are to be made to senior management. The timing of these reports may vary depending on the results of the reviews. The report will disclose all reviews completed since the last report was issued. For each review, one of the following recommendations will be made:



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- Retain the AMC on the approved list
- Retain the AMC on the approved list subject to curing a cited deficiency (approve firm but refuse to accept appraisals performed by a certain individual of the firm)
- Remove from approved list for cause (poor appraisal quality, fraud, failure to provide updated information, etc.)

However, if a review uncovers serious violations of CSC or USPAP appraisal policies, unethical behavior, and/or fraud, a report is to be made immediately.

Upon receipt of a report with negative recommendations, senior management will review the report at their next regular meeting to determine whether to remove the firm from the approved list or whether to take other appropriate action.

- **Management Actions and Required Communication**

Senior management will review the annual report and determine whether to accept the department's recommendation or to take any other action deemed appropriate. A letter will be sent to each AMC disclosing the decision made regarding their status on the approved list. Any "subject to curing a cited deficiency" decision must be acknowledged and accepted by the AMC prior to any additional work being granted them. In some cases evidence of the deficiency being cured may be required. If the review uncovers fraud or evidence of violation of any legal statute, a report may need to be filed with the appropriate State or Federal authorities.

SECTION 5 - HOME MORTGAGE DISCLOSURE ACT (HMDA)

A. PURPOSE

To assure the proper collection of data by all CSC offices with respect to discrimination, Fair Lending & CRA. The purpose of the reports & assessments by the department is to assure proper entry into the system on pertinent collected data, review & report monthly to reflect patterns of error to use as a training tool for further education.

B. REPORTS and MAINTANENCE

1. Exception & Analysis Report

A monthly exception report is generated at the beginning of each month reflecting entry of "action taken" on loans for the prior month. This report has been formatted with a logic that will sight errors that do not match the logic. Example denial code of "3" needs a reason for denial on screen 3; or census tract does not match county code.

Upon receipt of the exception report by the in house data base system, the department will analyze and create another report by cost center, number of loans, number of loans with errors, errors within that loan and categorize the errors. The analysis also reflects the average errors based on a quarterly breakdown. The purpose of this analysis is that the department may better use the data to see where individuals are making errors. Additional training will be provided as necessary.

2. Correction & Assessment

Each department will be given until the end of the month to correct errors that have been reflected in the Exception Report. Operations Supervisors are responsible to assure that the corrections have been made.



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3. Annual Filing with FFIEC

At the end of each year work orders are prepared and submitted for preparation of the annual filing of the HMDA by March 1st of the following year to the proper government entity.

Three exception reports are prepared and checked for accuracy and corrections are made. The proper format (disk, tape, etc.) is created along with a hard copy. This is then transmitted to the proper agency and address.

SECTION 6 – COMPLIANCE AND TRAINING

A. Purpose

In order to facilitate the understanding of and compliance with the key regulations that apply to the residential lending and the policy of CSC and to conduct regularly scheduled compliance training meetings.

B. Compliance Training

1. General

Designated individuals using a variety of selected materials (text, video, etc) will conduct in general training.

All employees attending the training are to sign in on the departmental sheets. This sign in sheet along with any and all materials will be kept in the Loan Administration binder.

A compliance quiz will be given at the end of each class. A quiz will be on the average of 10 questions, multiple choice/true or false and sometimes short essays may be required. This will test the overall comprehension of the basics of the regulations covered. 70% is the minimum passing score in order to avoid review and re-testing.

Any and all significant changes to regulations and important updates will be distributed through a variety of methods including e-mail, memos, weekly meeting and so forth.

SECTION 7 – DUE DILIGENCE

A. Purpose

The Loan Administration Manager participates in periodic review of loans, companies or documents to perform as part of a due diligence team. The Loan Administration Manager reviews the items or companies for compliance, fraud and creates a written report of findings and recommendations.

SECTION 8 – CUSTOMER COMPLAINT

Any and all customer complaints are received through the Loan Administration Manager, date stamped in and processed by the Manager and/or assigned to the applicable department for resolution within the time frame stipulated on the request or within 30 days from the receipt of the letter.



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A log is created to reflect the date received, loan number, borrower's name, & due date as well as placed on the Loan Administration Manager's system calendar for follow up. Copies will be retained of all files, any supporting documentation, and resolution.



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