Policies and Procedures for Third Party Originator Due Diligence And Ongoing Surveillance

Services have been contracted and are being performed by:

Comergence Compliance Monitoring, LLC
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714-740-9000
I. Objective

The objective of these Policies and Procedures is to provide detailed guidelines for Primary Capital Mortgage in the approval and ongoing surveillance processes for all third party originators (TPO’s) wanting to do business with Primary Capital Mortgage.

II. Policy Purpose

To ensure that Primary Capital Mortgage is conducting business with ethical and compliant third party originators and that comprehensive reviews are diligently performed. While it is understood that it is beneficial for Primary Capital Mortgage to approve as many TPO’s as possible, all personnel must exercise sound judgment throughout this process and strive to protect the resources, credit quality, and reputation of Primary Capital Mortgage.

III. Eligible TPOs

The wholesale operations for Primary Capital Mortgage utilize third party originators to generate residential loans. Primary Capital Mortgage is committed to excellence in all facets of our business, which includes ensuring that every one of our approved TPO’s has a management and staff that has proven knowledge, expertise, and experience in the mortgage industry and is compliant with all known and current laws that govern our industry.

The following Policies and Procedures are designed to cover the TPO’s we choose to be approved with us:

A. Definition of a Third Party Originator

A third party originator is defined as an independent entity, which registers, delivers and sells mortgage loans to Primary Capital Mortgage. However, Primary Capital Mortgage is responsible for underwriting all mortgage loans as well as the preparation and review of all closing documents. All loans originated by TPO’s will be closed and funded in Primary Capital Mortgage’s name.

B. TPO Types

1) Monitored

i. This TPO is registered with Comergence and is having their profile constantly monitored, as well as the status of each of their lending licenses (when and where publicly available), the company and up to two principals SmartScore™ tracked and the BrokerRisk™ Score tracked.

2) Non-Monitored

i. This TPO is not registered with Comergence and is not being monitored in any way.
C. Primary Capital Mortgage TPO Statuses

1) Prospect – TPO is being marketed to but has yet to submit an application for approval. TPO may submit a loan but it will not advance to loan documents or funding until the TPO is approved.

2) Approved – TPO has met our qualifications, passed due diligence and is allowed to fund loans with Primary Capital Mortgage.

3) Suspended – TPO has been suspended for a compliance issue that has yet to be resolved. TPO may not submit or fund any loans until the issue is resolved.

4) Watch List – TPO has been placed on Watch List due to a change in status alert or due to previous questionable loan activity.

5) Terminated – TPO has been told they are no longer welcome to submit and fund loans with Primary Capital Mortgage.

IV. Application Procedures

A. Overview

Primary Capital Mortgage has contracted with Comergence Compliance Monitoring, LLC to perform due diligence processing of our Third Party Originator applications. We have chosen to follow the procedures outlined herein as applied by Comergence. The individual or department known as PCM Approval Admin will be responsible for implementing, facilitating and monitoring this relationship, which includes the recertification process of each currently approved and active Traditional TPOs and Comergence Registered TPOs. PCM Approval Admin is responsible for ensuring that the following items are executed:

1) Developing and customizing an online landing page for Primary Capital Mortgage.

2) Ensuring that Comergence is maintaining an electronic storage of all forms and documents of the TPO Application packages for Primary Capital Mortgage.

3) Coordinating and conducting the appropriate training and in-house support to all Sales Executives, Managers and Senior Staff that is needed to ensure that each TPO application is processed in a timely and efficient manner with Comergence.

Each Sales Executive should use their “best efforts” to verify that a potential TPO meets the minimum qualifications for becoming an approved TPO for Primary Capital Mortgage. The Sales Executive should also obtain a commitment from the TPO with regards to the minimum production volume that Primary Capital Mortgage requires for all approved and active TPOs.

B. Comergence Compliance Monitoring Required Documentation:

The following documents are included in the TPO Application on file with Comergence:

1) TPO Application

2) Background Check Authorization
C. Lender Specific Documentation Requested from TPO for Approval

The following documents are required from the TPO to complete the application review process by Comergence on an annual basis:

1) TPO Lender Agreement.
2) Resolution.
3) Company Formation.
4) Quality Control Policies & Procedures.
5) Tax Returns.
6) IRS Form W-9.
7) Surety/Fidelity Bond.
8) Resumes of Principals.
9) Errors & Omissions.
10) Copy of FHA and/or VA approval letter(s) if the TPO is approved or requesting sponsorship from Primary Capital Mortgage.
11) Articles of Incorporation/Organization or DBA filing or fictitious business name certificate.

The following documents are required from the TPO to complete the application review process by Comergence on a quarterly basis:

1) Most recent quarter’s audited or internally prepared financial statements which would include a Balance Sheet and Income Statement.
2) Most recent quarter’s Quality Control Reports/Findings.
3) Loan Officer List.

The following information is required to be completed by the TPO to complete the application review process by Comergence:

1) NMLS Unique ID (if TPO is operating within a participating State)
2) Admission of all states currently licensed to originate loan(s), along with the corresponding license number (if applicable, some states vary).
3) A List of all branch locations along with corresponding license (if applicable)
4) Admission of state corporate license that shows DBA name (if applicable).
5) List of licenses for all Loan Officers.

D. Approval Process for TPOs

1) Visit our website at www.pcmexpress.com and click on the “Broker/Correspondent Applications & Renewals” button.
2) Open the “Application Checklist” to gather all required documentation before starting (if all documents are not available at time of application, TPO can upload the available documents and complete the application at a later timer). Note: The approval process cannot be started by Primary Capital Mortgage until all documents are uploaded.

3) For first time users of Comergence, click “Register” to open account and complete applications. TPO’s who are already registered with Comergence can simply login using Comergence Username and Password.

4) Follow the steps to upload all required documentation and complete application process.

5) Note: Upon initial application, TPO will be required to pay a $74.50 application fee by credit card. This fee will be refunded to TPO by Primary Capital Mortgage immediately upon the TPO’s first closed loan with Primary Capital Mortgage.

V. Procedures for Processing the TPO Application

It is the responsibility of Comergence to process prospective TPO applications to ensure that Primary Capital Mortgage is doing business with TPOs of the highest integrity and professionalism.

When Comergence receives a TPO online application, the application is processed in the following manner:

1) A Comergence analyst is alerted electronically that an application has arrived in their queue.

2) Applications are reviewed in the order received.

3) The application is reviewed by the Comergence Analyst to verify that the file is ready to be processed.

4) Searches and verifications are performed on all principals, designated brokers and DBAs for the following:
   A. NMLS ID verified
   B. State and Federal Civil & Criminal Filings (Last 7 years)
   C. HUD Limited Denial Participation List (LDP)
   D. HUD Approval Verification
   E. Office of Foreign Assets Control (OFAC)
   F. Excluded Parties List System (EPLS)
   G. Mortgage and Financial Sanctions (Last 7 years)
   H. FINRA Broker Check Report
   I. SSN identity verification
   J. Secretary of State status (Domestic State) is verified for all appropriate entity types (where publicly available)
   K. All state licenses (where publicly available)
   L. DBA/Fictitious business names provided by the TPO

5) Reviews of the following information are obtained from *SmartScore™ report(s):

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A. Judgments & Tax Liens
B. Bankruptcies
C. UCC Liens

*SmartScore is a business credit report. This report predicts the likelihood of this business having a serious credit delinquency in the next twelve months.

6) Obtain a BrokerRisk™ Score which is a proprietary score that is based on 12 months of historical loan audits, demographic data and proprietary data traits that indicate a TPOs propensity to submit fraudulent or non-performing loans (EPD).

7) Any document obtained or supplied by the TPO is viewable to PCM Approval Admin via the on-line portal supplied by Comergence.

All information obtained above will be recorded and provided on the Comergence TPO Score Card.

A. Rush Approval Procedures

Comergence allows for Lenders to request a “Rush” on an application. There is a fee of $99.00 to rush the application, which is in addition to the application fee. A Comergence analyst is alerted electronically that a Rush request has been made and that application will be marked as a priority and will receive immediate attention.

B. Incomplete Applications

All files in “Incomplete” status that have not yet been submitted to the lender via Comergence will be automatically cancelled in 90 days.

C. Comergence Reviewed Applications

Comergence reviewed files older than 90 days from the point the TPO submitted a complete application to the lender via Comergence will be cancelled.

1) Comergence makes numerous attempts to get the TPO to respond to verification calls and to upload missing documents.

2) If a “cancelled” TPO application wishes to reactivate their application, the TPO must re-apply and start the process from the beginning.

VI. Ongoing TPO Surveillance and Maintenance

Surveillance includes constant monitoring of licenses in each state that the TPO is conducting business. Alerts are provided in the Alerts Tab within the portal if any negative changes are noted per the settings administrated by Primary Capital Mortgage.

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Comergence also monitors the TPO’s business and personal credit (up to two principles) and loan performance BrokerRisk scores on an ongoing basis. Licenses and credit are updated monthly, or as often as the information is available and the BrokerRisk Score is updated quarterly. If negative changes occur on any of these items, Primary Capital Mortgage is notified via the Alerts Tab in the Comergence portal that details the change.

VII. **TPO Notification of Approval**

If a TPO’s application package meets the eligibility requirements of Primary Capital Mortgage, PCM Approval Admin has delegated authority to approve the TPO’s application and will proceed with following:

1. Shall update the TPO’s status in Primary Capital Mortgage’s LOS system and company database.
2. Notify Sales Management and the Sales Executive via email that the TPO has been approved.
3. Email the TPO with a Welcome Letter that announces the approval and authorizes the TPO to register, lock, close and fund an unlimited number of loans with Primary Capital Mortgage.
4. If a TPO’s application does not meet the minimum requirements of Primary Capital Mortgage, PCM Approval Admin is authorized to deny the TPO’s application. When PCM Approval Admin denies a TPO’s application, PCM Approval Admin will do the following:
   a. Notify Sales Management and the Sales Executive via email that the TPO has been declined.
   b. Draft a declination letter to be executed by a Senior Officer in Primary Capital Mortgage.
   c. Email the original denial letter directly to the TPO within two (2) business days.
   d. Update the status in Primary Capital Mortgage’s database(s).

VIII. **TPO Termination**

A. **Terminated With Cause**

A TPO can be terminated with cause for any of the following issues:

1. Fraud
2. Misrepresentation
3. Repurchases
4. Breaching any of the Representations, Warranties or Indemnifications.
5. Low or inconsistent production levels

Termination with cause does not require advance written notification to the TPO and is considered to be effective immediately.
The following procedures will be completed by Primary Capital Mortgage:

1) Update database(s) with the TPO’s change in status and any notes relating why the TPO was terminated. This includes notifying Comergence within their Portal.
2) Contact the principal officer(s) of the TPO company to inform them of Primary Capital Mortgage’s business decision within 24 hours of termination.
3) Send the termination letters via email to TPO’s account contact.

TPOs terminated with cause are not allowed to complete any business in the pipeline and their status is changed immediately in the Comergence Portal and in any Primary Capital Mortgage database(s) by PCM Approval Admin.

B. Terminated Without Cause

A Senior Manager of Primary Capital Mortgage or an Executive of Primary Capital Mortgage has the authority to terminate a TPO’s active status without cause with 5 business days written notice.

The following procedures will be completed by Primary Capital Mortgage:

1) Update database(s) and Comergence with the TPO’s change in status and any notes relating why the TPO was terminated.
2) Contact the TPO’s contact person to inform them of Primary Capital Mortgage’s business decision within 48 hours of termination.
3) Send the termination letter via email to TPO’s account contact.

TPOs terminated without cause receive a 30 day grace period to continue any locks currently in. TPO must advise Primary Capital Mortgage within 5 business days of termination if any loans currently locked will be completed.

PCM Approval Admin will calendar a reminder to change the status in the database(s) and with Comergence.

IX. Executive Management Approval Process

Executive Management will review, discuss and issue a final decision on any TPO application package under the following circumstances:

1) TPO application contains information outside the scope of the Senior Manager of Primary Capital Mortgage’s Delegated Authority.
2) The TPO submits material changes to the TPO Agreement, which are outside the Senior Manager of Primary Capital Mortgage’s Delegated Authority. The application must be submitted to the Executive Manager to review the changes and issue a final decision.
3) A Senior Manager of Primary Capital Mortgage determines that the Executive Manager should review the Application based on conflicting or inconsistent information found in the file or obtained during the approval process.

X. Sales Management or Sales Executive’s Request to Terminate an Active TPO

If the Sales Executive determines that Primary Capital Mortgage should terminate the relationship with a TPO, the Sales Executive or Manager must provide the following information to PCM Approval Admin:

1) Detailed reason(s) or justification(s) for the termination.
2) Upon receipt of the Sales Executive or Managers request to terminate an active TPO, PCM Approval Admin will collect and verify the following:
   a) Number of loans in the pipeline.
   b) Number of loans in closing status.
   c) Amount of money the TPO may owe Primary Capital Mortgage.
   d) Early payment default (EPD) issues.
   e) Outstanding repurchase demands.
   f) If the company has been sold, was the sale an “asset” or “stock” transaction and there was a change in principal offers.

XI. Changing the Name of an Approved TPO

If a TPO changes their name and/or ownership, the TPO must submit the following documentation to Comergence for review and approval:

1) Name change application to the state and/or confirmation letter from the Secretary of State and a letter from the TPO requesting the name change;
2) Assumed Name Certificate/DBA or Fictitious Name Certificate;
3) Amended Articles of Incorporation/Organization, or written agreement between partners if applicable;
4) Updated Mortgage TPO’s state license reflecting name changes;
5) Updated W-9 form;
6) If TPO/Registered Agent/Principal changes entity type, new application will be required;
7) If TPO/Registered Agent/Principal changes ownership (previously 100%), will need copy of the minutes to the meeting and new signatures will be required from the new signatures if TPO/Registered Agent/Principal if agreements were previously signed by former TPO/Registered Agent.
8) If a change of ownership occurs, it will be treated as a new application and all approval documents must be re-submitted.
Comergence will verify all changes are accurate and in compliance with Primary Capital Mortgage requirements. Upon completion, PCM Approval Admin will notify the Sales Executive that the updates have been made via e-mail.

XII. Procedures for Policy Review

These Policies and Procedures will be reviewed at least annually to determine if they are consistent with Primary Capital Mortgage Senior Management’s objectives and goals. Primary Capital Mortgage reserves the right to amend or modify these Policies and Procedures at any time as needed.

**End**