Non Delegated Correspondent Lending Seller’s Guide

Last Revised: November 2013
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OVERVIEW

The Mini Correspondent Seller’s Guide (“Seller’s Guide” or “Guide”) governs business relationships between Western Bancorp and approved loan originator referred to interchangeably herein as both “Seller” and “Mini Correspondent”. This Guide sets forth the terms and conditions for selling and originating loans to Western Bancorp, as applicable, by Mini Correspondents. The Seller’s Guide, as amended from time to time, and the Master Mortgage loan Purchase Agreement together constitute the entire “Agreement” of Western Bancorp and Lender with regard to the transactions contemplated thereby and a reference to Master Mortgage Loan Purchase Agreement without reference to the Guide, or vice versa, does not act to exclude the other.

The Seller is bound by the requirements of this Seller’s Guide. Western Bancorp may suspend such Seller or terminate its entire relationship with that entity upon any failure by the Seller to meet the Seller’s obligations (This Seller’s Guide is the property of Western Bancorp and may not be copied, published, reproduced, or used without the express authorization of Western Bancorp.) in this Seller’s Guide.

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1 - Notices

Original Notes
Attn: Correspondent Lending Division
5671 Santa Teresa Blvd #103
San Jose CA 95123

Borrower Correspondence Address
Attn: Customer Service
5671 Santa Teresa Blvd #103
San Jose CA 95123

Servicing Phone Number
Welcome Letter 408-578-8700
After Welcome Letter received 408-578-8700

Insurance Correspondence
Western Bancorp, ISAOA
5671 Santa Teresa Blvd #103
San Jose CA 95123

Final Docs
Western Bancorp
Attn: Post Closing Correspondent
5671 Santa Teresa Blvd., Suite 100
San Jose, CA 95123

Borrower Payment Address
Western Bancorp
5671 Santa Teresa Blvd., Suite 100
San Jose CA 95123

Western Bancorp Mini Correspondent Lending
Corporate Office Number: 408-578-8700
Operations: 9:00am to 5:00pm PST

2 - Fees

Western Bancorp will charge the following fees when purchasing a loan from the client:

<table>
<thead>
<tr>
<th>Underwriting Fee</th>
<th>Tax Service Fee</th>
<th>Flood Certification Fee</th>
<th>Property Field Work Waiver*</th>
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<td>$625.00</td>
<td>$77.30</td>
<td>$12.00</td>
<td>$75.00</td>
</tr>
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*If applicable

3 - Hours of Operations and Holidays

Mini Correspondent Operations: 9:00 a.m. – 5:00 p.m. PST
The federally recognized holidays in section 6103(a) of title 5, of the United States Code at the time of publication of this Seller’s Guide are as follows:

- New Year’s Day
- Washington’s Birthday
- Memorial Day
- Independence Day
- Labor Day
- Columbus Day
- Veterans Day
- Thanksgiving Day
- Christmas Day

On federal holidays, Banks 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. Western Bancorp Wire Desk is closed on all Federal holidays. Any funds that would otherwise be due for wiring on a Federal holiday will be wired on the following Business Day.

Apart from the Wire Desk schedule noted above, Western Bancorp observes the following holidays:

- New Year’s Day
- President’s Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Day After Thanksgiving
- Christmas Eve (Half Day)
- Christmas Day
- New Years Eve (Half Day)

**Seller Eligibility Standards**

The Eligibility section outlines requirements for becoming an approved Western Bancorp Mini Correspondent. Eligibility requirements are subject to change without notice. Meeting the eligibility requirements set forth herein is not a guarantee of approval to become a Mini Correspondent. To become an approved Mini Correspondent, the applicant must meet the following minimum requirements:

- Be a duly organized, valid entity and in good standing under the laws of the jurisdiction of the organization
- Must possess and maintain all required licenses necessary to conduct business in each jurisdiction in which loans are originated
- Be in compliance with all applicable federal, state and local regulations and laws
- Company must have been actively engaged in residential mortgage lending for a minimum of two (2) years preceding submission of Application to become an approved Non-Delegated Correspondent with Western Bancorp
- Company owners/key company decision makers must have at least five (5) years of substantial residential mortgage lending
- Provide resumes of all managers and key personnel including resumes of staff or identification of the fulfillment company responsible to prepare closing documents and fulfill loan through purchase and trailing docs. Experience level must be acceptable to Western Bancorp.
- Current Unaudited Financial Statements no older than four (4) months from the time of application (Balance Sheet and Profit & Loss statement)
- Provide most recent two years Audited Financial Statements or Annual Tax Returns
• Principal owners (10% or greater) must have a minimum credit score of 620 with no foreclosures or bankruptcies in the last 4 years
• Evidence a copy of an acceptable Quality Control plan in compliance with FNMA, FHLMC, and Western Bancorp, as applicable. Maintain Quality Control plan and management reports in accordance to agency guidelines and provide to Western Bancorp upon request.
• Copy of FHA, Fannie, Freddie, USDA, and VA approval letters (if applicable).
• Maintain a warehouse line of credit or funding source acceptable to Western Bancorp
• Not be listed on any exclusionary lists provided by the agencies
• Not be listed on any public or non-public commercial watch list or database which reports cases of misrepresentation or failure to honor contractual obligations
• Maintain errors and omissions insurance and a fidelity bond in a form and with an insurance carrier that is acceptable to Western Bancorp and covers investor losses. Minimum coverage of $500,000 for each and a deductible of no more than $100,000 or 5% of the coverage amount per occurrence. Western Bancorp must be named as Loss Payee.

4 - Use of Western Bancorp name and Confidentiality
Seller agrees not use the name “Western Bancorp” or the name or trademarks of any of Western Bancorp subsidiaries or affiliates in any of Seller’s promotional or other materials without the prior written consent of Western Bancorp. Seller will not share any trade secrets, confidential information, any proprietary information regarding the practices, pricing, polices or procedures at Western Bancorp. In addition, Seller may not disclose to any prospective borrower, or the agents of the borrower, that such borrower’s mortgage loan will be offered for sale to Western Bancorp.

5 - Power of Attorney – Seller to Western Bancorp
Seller agrees that Western Bancorp may act as attorney in fact in order to endorse promissory notes from Seller to Western Bancorp, and to execute necessary documents, such as, but not limited to, assignments for mortgages, deeds of trust, deeds to secure debt and other documents securing those promissory notes, giving Western Bancorp the authority to do each action as fully as Seller could do. This power of attorney can only be revoked or discontinued by notification to Western Bancorp in writing. If the contract between Western Bancorp and Seller is terminated, this power of attorney will remain with Western Bancorp for a minimum of three (3) years after termination. To effect this provision of the Guide, Seller agrees to authorize and execute such forms of Limited Power of Attorney as Western Bancorp may require.

6 - Privacy of Consumer Information
Seller agrees to comply with any applicable federal, state and local laws and regulations regarding the privacy and security of consumer information. Seller further agrees not to use consumer information in any manner inconsistent with any applicable laws and regulations regarding the privacy and security of
such consumer information. It is also required that Seller agrees to maintain adequate physical, technical and administrative safeguards in order to protect consumer information from unauthorized access.

7 - Audits

At any time, Western Bancorp may conduct an audit of Seller's offices during normal business hours. Seller must provide the assistance of a knowledgeable and responsible employee to assist Western Bancorp in such audits. Western Bancorp must be given access to all records and files pertaining to the loans and any other information needed to ensure that Seller is in compliance with the terms and provisions of Seller's Agreement with Western Bancorp.

Seller further agrees that, upon the request of Western Bancorp, they will provide any material and information requested. During this audit, Seller will provide a knowledgeable contact person for additional information.

Western Bancorp has the right to examine any and all records that pertain to loans governed by the Agreement; such records must include the individual loan file, all accounting reports associated with the loan, other data, information and documentation that Western Bancorp may deem necessary to verify that Seller is in compliance with Western Bancorp requirements set forth in the Agreement.

Seller is responsible to ensure that any electronic documents it uses (as allowable under state and federal law) meets all legal standards and requirements, and that Seller has appropriate storage, retrieval and back-up systems for such documents.

Requests for these records by Western Bancorp to Seller must be satisfied within fifteen (15) calendar days of receipt of the request.

8 - Maintenance of Records

Seller will maintain such records of all loans submitted to Western Bancorp for purchase for time frame required to comply with applicable federal and state laws. In addition, Seller shall maintain each file for at least three (3) years from the date the loan is fully paid or accelerated.

Seller shall maintain an individual loan file for each loan submitted to Western Bancorp for purchase. Files should also contain:

- For loans registered with MERS, the MIN must be indicated;
- Original documents (copies of which were delivered to Western Bancorp Mortgage);
- Indication in each file of the Western Bancorp loan number

9 - Changes in Seller Status

The following information must be reported in writing to Western Bancorp prior to or immediately upon occurrence, as applicable:

- Seller’s address or phone number changes
- Material financial changes or changes in management ordered or
required by a regulatory authority
• The resignation or termination of any senior management. Seller will provide resumes of replacement personnel within 30 days of replacement.
• Entry of any judgment or regulatory order where Seller is required to pay a claim, penalty or fine which may have material adverse effect on financial condition of the Seller.
• The dissolution of Seller’s business.
• Notice to the Seller of an event of default on any loan sale agreements or arrangements
• Cancellation of Seller’s fidelity bond or errors and omissions coverage.

Western Bancorp reserves the right to suspend further business upon Change in Seller Status notification, or if additional time is required in order to make a determination whether a continued business relationship is warranted. Seller’s failure to timely notify Western Bancorp of any of the above described changes, or any other significant changes, may result in termination.

10 - Documentation Requirements
The following documentation is required for Seller approval:
• Corporate Financial Statements for the most recent two (2) years audited by an independent auditing firm or business tax returns and the most current (dated within 120-days of the application date) interim financial statements (YTD Profit and Loss Statement along with a current Balance Sheet). In lieu of audited statements, the following are acceptable for the specific entity:
  Banks – Form FFIECO34, Savings and Loans – FHLBB1313, Credit Unions – NCUA5300
• If the Seller has a parent corporation, the parent corporation’s audited financial statements for the previous two years, and the most current interim financial statements (P&L and Balance Sheets dated within 120-days of the application date).
• Professional resumes of the following personnel:
  President
  Chief Executive Officer
  Chief Financial Officer
  Person who oversees:
  • Production
  • Underwriting Manager and all underwriters
  • Secondary Marketing
• Principal owners (10% or greater) credit report(s) or signed Western Bancorp authorization to pull credit form.
• Copy of acceptable Quality Control
• Copy of current E&O Insurance Certificate and Fidelity Bond Coverage
• Completed W-9 Form
• Copy of Mortgage Banker’s License(s), if required by law in each state in which the Seller is doing business
• An executed copy of the Western Bancorp Loan Purchase and Sale
Agreement by an individual authorized by the Corporate Resolution
• Completed Western Bancorp Mini Correspondent Lending Wire Authorization Form
• Copies of the Seller’s most recent investor score cards for each investor listed in the Application (If applicable)
• Minimum of three investor or lender references not including warehouse banks or any other third party reference
• Corporate Organizational Chart/Roster
• Executed Seller Application

11 - Maintaining Eligibility
Once approved to be a Seller to Western Bancorp, Sellers must continue to meet the eligibility requirements herein to maintain its eligibility and approval to participate.

12 - Notification of Significant Changes:
Seller must provide written notice of any contemplated change in its organization, including copies of any filings with, or approvals from its regulators. Western Bancorp requires written notice immediately but no later than seven (7) calendar days after the finalization of significant changes relating to the Seller that include, but is not limited to:
• Any mergers, consolidations or reorganizations
• Any direct or indirect material change in ownership. An indirect change in ownership includes any change in the ownership of the Seller’s parent, any owner of the parent, or any beneficial owner of the Seller that does not own a direct interest in the Seller
• Any change in corporate name
• Any change from a federal charter to a state charter (or vice versa) if the Seller is a savings and loan association or a Bank
• Material adverse change in financial condition
• Any change in authority evidenced by the Corporate Resolution or in banking relationships including warehouse lines of credit/wire instructions
• Any change in Agency approval
• Any change in fiscal year end date
• Any change in management or key personnel or persons who oversee key Seller departments
• Addition or closure of a branch
• Use of a new or different fictitious name
• Any change regarding registration or licensure of a fictitious name

13 - Good Standing
All approved Sellers must remain in “Good Standing” with Western Bancorp to maintain eligibility to sell loans. Failure to remain in good Standing could result in Western Bancorp’s termination of the Agreement with cause.
To remain an approved Seller in Good Standing the Seller must:
• Actively participate in the products and programs described in the Seller’s
14 - Annual Recertification

Western Bancorp constantly monitors the performance of each Seller. In addition to performance monitoring, Western Bancorp will perform a comprehensive review of each Seller’s financial, industry, credit and overall performance on an annual basis.

Within 60-days of request for Annual Renewal information, Seller must send to Western Bancorp the following documentation:

- Audited Financial Statements with all appropriate Schedules and Attachments
- Current unaudited financial statements no older than four (4) months
- Up-to-date Credit Bureau reports (tri-scores), pulled within the last sixty (60) days for all Principals who own ten percent (10%) of the Seller’s organization.
- Updated/current active state business licenses – Western Bancorp will accept these upon their separate renewals instead of waiting for the annual certification
- Updated Seller contact information
- Roster of Employees with email addresses
- Any other additional certifications or information requested by Western Bancorp

15 Quality Control

(a) Requirements of Seller’s Quality Control Program

It is necessary that the Seller maintain an internal quality control program that meets Western Bancorp requirements and approval checklist, and is in compliance with agency, as well as standard industry guidelines.

The program must be documented and supported by a written plan (the “Quality Control Plan”). The program must also include applicable policies and procedures. The Quality Control Plan must be provided to Western Bancorp upon request. Results of the quality control program must also be provided, upon request, in the form of a summary report that was distributed to the Seller’s senior management and management’s response to any quality control findings. Upon their discretion Western Bancorp Risk may ask seller for their most recent QC
results with responses from management.

Seller’s internal quality control program, as documented, must at a minimum cover the following:

- Accuracy of legal and origination documents
- Soundness of underwriting decisions (if applicable)
- Evidence of monitoring for Red Flags, including any evidence of discovery of fraud and misrepresentation
- Identification of any systemic issues, their root causes and resolution
- Monitoring of corrective action plans in place
- Sound reporting and management response 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 agency and investor requirements

(b) Notifications Required

Seller must notify Western Bancorp immediately if it becomes aware of:

- Misrepresentation or fraudulent activity of any nature
- A quality control finding is discovered that could adversely affect the interests of Western Bancorp
- A defect that could cause repurchase under Western Bancorp Mortgage’s or investor guidelines
- Any issue that could cause loan to become unsalable under the terms of the Agreement, any applicable product matrix or agency guideline:
- Notification of a breach of any representation, warranty covenant contained in any of Seller’s warehouse lending agreements

Seller must provide Western Bancorp with written notice detailing the issues discovered, along with any supporting documentation. Notice should be sent to:

Western Bancorp
Attn: Compliance Dept
5671 Santa Teresa Blvd., Suite 100
San Jose, CA 95123

(c) Responsibility for Resolution of Quality Assurance Findings

The Seller is responsible to resolve any quality deficiencies discovered post funding on loans purchased by Western Bancorp. Such resolution is required within five (5) business days of notification by Western Bancorp’s QA Resolution Team.

After the first request for missing documentation or additional clarification on a deficient loan, an extension may be granted, if required. Such extension will be for another ten (10) business day time frame. It is necessary that the Seller be actively involved in working to try and resolve all identified issues during this time frame.
As set forth elsewhere in the Agreement, Seller may be required to repurchase any loan with deficiencies.

Failure of Western Bancorp to request repurchase immediately upon identification of the deficiency does not constitute a waiver of any contractual right it may have at that time or in the future to require repurchase at a later date regardless of the lack of an agency request for repurchase.

Representations and Warranties

16 - Overview

All representations, warranties and covenants contained in this chapter are made by Seller to Western Bancorp, its successors and assigns, with respect to such matters and at such times, unless expressly waived in writing by Western Bancorp. Each representation, warranty and covenant is binding on the Seller regardless of whether the subject matter thereof was under the control of the Seller or a third party.

The Seller acknowledges that, with respect to each mortgage loan purchased by Western Bancorp from the Seller: such mortgage loan was purchased by Western Bancorp in reliance on the Seller’s representations, warranties and covenants.

The representations, warranties and covenants made in this chapter, and elsewhere in this Agreement, shall survive delivery of the mortgage loans to Western Bancorp and shall inure to the benefit of Western Bancorp notwithstanding any examination or pre-approval of the mortgage loan by Western Bancorp. Representations and warranties cover each loan purchased by Western Bancorp.

17 - Authority and Capacity

Seller represents and warrants that:

- Seller has all requisite corporate power, authority and capacity to enter into the Agreement with Western Bancorp and to perform the obligations required in this Seller’s Guide, any contracts signed, and any other required documentation.

- Seller is duly organized, validly existing and in good standing under the laws of the jurisdiction under which it was organized and is qualified to do business and is properly licensed or registered as a mortgage banker or Correspondent in each jurisdiction in which the Seller does business, or is exempt under applicable law from such qualification or licensing and no demand for such qualification or licensing has been made upon the Seller by any jurisdiction.

- Seller has duly executed and delivered the Master Mortgage Loan Purchase Agreement and upon authorization, execution and delivery of the same by Western Bancorp, the Agreement will constitute the valid and legally binding obligation of Seller enforceable against Seller in accordance with its terms except as enforceability may be limited by bankruptcy, reorganization, insolvency, moratorium or
other similar laws now or hereafter in effect relating to creditors' rights generally and by general principles of equity regardless of whether enforceability is considered in a proceeding in equity or at law.

- The execution and delivery of the Agreement, shall not conflict with or result in the breach of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance of any nature upon the properties or assets of the Seller, any of the terms, conditions or provisions of the Seller's charter or bylaws or any similar corporate documents of the Seller or any mortgage, indenture, deed of trust, loan or credit agreement or other agreement or instrument to which the Seller is now a party or by which it is bound. Furthermore, the Agreement will not violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or regulatory directive presently in effect applicable to the Seller.

- Seller does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in the Agreement.

- The sale of the loans will not cause Seller to become insolvent and the sale of the loans is not undertaken with the intent to hinder, delay or defraud any of the Seller’s creditors.

- Seller warrants that there is no litigation, proceeding or governmental investigation pending, or any order, injunction or decree outstanding that might materially and adversely affect the mortgage loans or the related servicing rights to be sold pursuant to the Agreement. Additionally, there is no litigation, proceeding or governmental investigation existing or pending or to the knowledge of the Seller threatened, or any order, injunction or decree outstanding against or relating to the Seller that has not been disclosed by the Seller to Western Bancorp in writing that could have an adverse effect upon the mortgage loans or the related servicing rights or the other assets to be purchased by Western Bancorp Mortgage, nor does the Seller know of any basis for any such litigation, proceeding or governmental investigation. The Seller has not violated any applicable law, regulation, ordinance, order, injunction or decree, or any other requirement of any governmental body or court, which may materially and adversely affect the mortgage loans or the related servicing rights to be sold. Seller is in full compliance with all representations, warranties and covenants as contained in agreements with its warehouse Lenders, and has not been notified of any breach thereof.

- No representations, warranty or written statement made by the Seller or certificate furnished to Western Bancorp by the Seller contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

- Closed Loan Sellers are required to provide the 1098 to the borrower
for pre-paid interest collected at closing as reflected on the final HUD-1 and for points paid by the borrower to the lender. Western Bancorp will only provide the 1098 for interest on payments received. If Western Bancorp purchases the loan at Original Balance, the Seller is still responsible to report pre-paid interest collected at closing.

- Sellers are responsible for providing and retaining all supporting documentation to complete the required review and certification. Western Bancorp may, at its discretion.

18 - Loan Characteristics

With respect to each loan sold by Seller to Western Bancorp, the Seller represents and warrants the following as of the applicable purchase date:

(a) Valid First Lien:

The mortgage is a valid, subsisting, enforceable first lien on the mortgaged property and all installations and mechanical, electrical, plumbing, heating and air conditioning systems located in or annexed to such buildings, and all additions, alterations and replacements made at any time with respect to the foregoing, and such mortgaged property is owned by the borrower in fee simple or a leasehold estate, subject only to:

- The lien of current real property taxes and assessments not yet due and payable;
- Covenants, conditions and restrictions, rights of way, easements and other matters of public record as of the date of recording acceptable to mortgage lending institutions generally and specifically referred to in the title insurance policy delivered to the originator of the mortgage loan referred to or otherwise considered in the appraisal made for the originator of the mortgage loan or which do not adversely affect the appraised value of the mortgaged property set forth in such appraisal; and
- Other matters to which like properties are commonly subject to which do not individually or in the aggregate materially interfere with the benefits of the security intended to be provided by the mortgage or the use, enjoyment, value or marketability of the related mortgage property.

(1) The mortgage loan, lien position, enforceability, and other characteristics comply with the requirements of Fannie Mae, Freddie Mac or other agency as applicable.

(2) Any security agreement, chattel mortgage or equivalent document related to and delivered in connection with the mortgage loan establishes and creates a valid, subsisting and enforceable first lien and first priority security interest on the property described therein and the Seller has the full right to sell and assign the same to Western Bancorp. All tax identifications and property descriptions are legally sufficient; tax segregations, where required, have been completed.

(b) Deed(s) of Trust:
In the event the mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the deed of trust, and no fees or expenses are or will become payable by Western Bancorp to the trustee under the deed of trust except in connection with a trustee’s sale after default by the borrower.

(c) Recission Policy

Note: Right of rescission does not apply to non-owner-occupied or second home refinances or purchases.

Western Bancorp Policy

It is Western Bancorp’s policy that any validly executed and delivered notice (including a rescission notice with a postmark prior to the expiration of the rescission period) must be honored. Additionally, any rescission notice that is received prior to disbursement of funds by the closing agent shall be honored, even if received after expiration of the rescission period.

Regulation Z Requirement

In accordance with Regulation Z, each individual borrower whose ownership interest is or will be subject to the mortgage or deed of trust (including a non-borrowing spouse in a community property state, or a state that retains dower and curtesy rights [refer to Marital Signatory Requirements]) has the right to rescind a Loan transaction that refinances a borrower’s principal dwelling (owner-occupied refinances). The Loan may not fund until the rescission period has expired.

Acceptable Rescission Notification

Each individual borrower executing the security instrument should be provided with two copies of the Notice of Right to Rescind form. While the form is the preferred method for the borrower to exercise his/her right to rescind, the borrower may rescind using any written document (such as a letter, note, mail, facsimile, telegram, email, or hand-delivery) indicating that the borrower is rescinding the transaction.

Who Can Rescind

Any one individual who exercises his/her right to rescind cancels the entire transaction (for example, a rescission by a non-borrowing spouse cancels the entire Loan transaction).

Rescission Period Timing

- The individual may exercise his/her right to rescind until midnight of the third business day following the date that they receive the "material disclosures" related to the transaction. (For rescission purposes, the "material disclosures" refer to a complete and accurate final Truth in Lending Disclosure Statement and 2 completed copies of accurate and complete Notices of Right to Cancel forms for each individual who has the right to cancel). Notice is considered given when mailed (based on postmark date) or otherwise delivered to the lender.
• If an individual borrower does not sign on the date of the closing documents, the “midnight of date” on the Notice of Right to Cancel form must be changed and initialed by the individual.

(d) **Full Disbursement of Proceeds:**

The mortgage loan has been closed and the proceeds of the mortgage loan have been fully disbursed and there is no requirement for future advances thereunder, and any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds therefore have been complied with. All rescission periods have expired and borrower has received proper, timely and compliant notices related thereto. All costs, fees and expenses incurred in making or closing the mortgage loan and the recording of the mortgage were paid. There is no obligation on the part of the Seller, or of any other party, to make supplemental payments in addition to those made by the borrower. Any future advances that were made in connection with the mortgage loan have been consolidated with the outstanding principal amount secured by the mortgage, and the secured principal amount, as consolidated, bears a single interest rate and single repayment term. Unless otherwise permitted in this Seller’s Guide, the consolidated principal amount does not exceed the original principal amount of the mortgage loan.

(e) **Defenses:**

The mortgage loan is not subject to any right of rescission, setoff, counterclaim or defense, including without limitation the defense of usury, nor will the operation of any of the terms of the mortgage note or the mortgage, or the exercise of any right there under, render either the mortgage note or the mortgage unenforceable, in whole or in part, or subject to any right of rescission, setoff, counterclaim or defense, including without limitation the defense of usury, and no such right of rescission, setoff, counterclaim or defense has been asserted with the respect thereto, and no borrower was a debtor in any state or federal bankruptcy or insolvency proceeding at the time the mortgage loan was originated, and as of the date Western Bancorp purchased the mortgage loan, the mortgage loan was not subject to a bankruptcy plan, nor had the related borrower filed bankruptcy.

(f) **Payments Current:**

The Seller represents and warrants to Western Bancorp for each loan offered for sale that borrower has made and Seller has credited all monthly payments required to be made through the related loan’s funding date under the terms of the Note. No monthly payment required under the loan is delinquent nor has any monthly payment under the loan been delinquent at any time since the origination of the loan. For the purposes of this paragraph, a loan will be deemed to be delinquent if the borrower did not pay any monthly payment due within fifteen (15) days of such payment’s due date.

(g) **No Defaults:**

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

(h) **Outstanding Charges:**
There are no defaults in complying with the terms of the mortgage, and all taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents which previously became due and owing have been paid. The Seller has not advanced funds, or induced, solicited or knowingly received any advance of funds by a party other than the borrower, directly or indirectly, for the payment of any amount required under the mortgage loan, except of interest accruing from the date of the mortgage note or date of disbursement of the mortgage loan proceeds, whichever is earlier, to the day which precedes by one month the due date of the first installment of principal and interest. No subordinate financing was used by the borrower to acquire the mortgaged property, other than subordinate financing acceptable to Fannie Mae, Freddie Mac, HUD, USDA or VA pursuant to the agency’s requirements in effect at the time the mortgage loan was made.

(i) **Ownership:**
Immediately prior to Western Bancorp purchase of a mortgage loan, Seller was the sole legal, beneficial and equitable owner of record and holder of the mortgage loan. Subject to the right of Seller’s warehouse previously disclosed to Western Bancorp in writing, the mortgage loan had not been assigned or pledged, and Seller has good and marketable title thereto, and had full right to transfer and sell the mortgage loan to Western Bancorp free and clear of any encumbrance, equity, participation interests, lien, pledge, charge, claim or security interest, and had full right and authority subject to no interest or participation of, or agreement with, any other party, to sell and assign the mortgage loan pursuant to the Agreement and on the purchase date Western Bancorp received good and marketable title to the mortgage loan free of any encumbrance, equity, participation interest, lien, pledge, charge, claim or security interest. If the mortgage loan is pledged to or encumbered by the liens of Seller’s warehouse previously disclosed to Western Bancorp, upon payment of the purchase proceeds to such warehouse, all rights and interest of such warehouse Lender in the mortgage loan shall terminate. There is no litigation pending or, to the best of the Seller’s knowledge, threatened, affecting or relating to the Seller which may in any way affect, by attachment or otherwise, the title or interest of Western Bancorp in and to the mortgage loan, the mortgaged property or the related mortgage note or mortgage.

(j) **Occupancy of the Mortgage Property:**
Except where Western Bancorp has specifically agreed to the contrary, the mortgaged property is lawfully occupied by the borrower under applicable law. All inspections, licenses and certificates required to be made or issued with respect to all occupied portions of the mortgaged property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the
appropriate authorities.

(k) No Satisfaction of the Mortgage:
The mortgage has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the mortgaged property has not been released from the lien of the mortgage, in whole or in part, nor has any instrument been executed that would affect any such release, cancellation, subordination or rescission. Seller has not waived the performance by the borrower of any action, if the borrower’s failure to perform such action would cause the mortgage loan to be in default resulting from any action or inaction by the borrower.

(l) No Servicing Restrictions:
No servicing agreement has been entered into with respect to the mortgage loan, or if any such servicing agreement has been entered into it has been terminated, and there are no restrictions contractual, statutory or otherwise, which would impair the ability of Western Bancorp or Western Bancorp’s designees to service the mortgage loan.

(m) No Refinance Agreement:
Neither Seller nor any of the Seller’s affiliates have entered into an agreement, formal or informal, with the borrower during the initial origination process of the mortgage loan to refinance the mortgage loan at some future date as an inducement to the borrower to enter into the original mortgage transaction.

Seller did not use an adverse selection procedure in selecting the mortgage loan from among the outstanding first lien residential mortgage loans owned by it which were available for sale to Western Bancorp.

(n) Right of Rescission:
With respect to refinance loans, the borrower’s Right of Rescission has not been waived.

(o) No Graduated Payment or Shared Appreciation Feature:
The mortgage loan is not a graduated payment mortgage loan; and the mortgage loan does not have a shared appreciation or other contingent interest feature.

(p) Properties in Redemption
Any loan where the property securing the loan is still in a redemption period after the note date is ineligible for purchase.

(q) No Construction loan:
Except as may be permitted by Fannie Mae, Freddie Mac, HUD, VA or USDA guidelines and Western Bancorp guidelines, based on the type of product, no mortgage loan was made in connection with the construction or rehabilitation of a mortgaged property.

(r) No Liabilities:
There are no liabilities of the Seller with respect to the mortgage loan, with respect to facts or circumstances prior to the date on which Western Bancorp purchased the mortgage loan for which Western Bancorp would be responsible as a result of its purchase of the mortgage loan.

(s) **Fair Lending and Predatory Lending:**

The mortgage does not meet the definition of “high-cost mortgage” set forth in Section 1602 (aa) of the Truth-In-Lending Act. The mortgage loan was originated in full compliance with all state, city or district “high cost” home mortgage or “predatory” lending laws, ordinances, rules or regulations, and would not be considered a “high cost” or “predatory” mortgage loan under any federal, state, local or municipal laws, ordinances, rules or regulations. No form of predatory lending has been used in connection with the origination of any mortgage loan. For purposes of this paragraph, “predatory lending” includes, but is not limited to, any deceptive and/or abusive lending practice that is not in the best interest of the borrower(s), including, but not limited to, any one or more of the following practices:

- Making loans strictly on the basis of the borrower’s equity without regard to the proper underwriting of the borrower’s payment ability and in a manner that unreasonably jeopardizes the borrower’s equity;
- Frequent refinancing of loans with fees that can strip the equity from a borrower and which simply generate fee income with no benefit to a borrower;
- Using pricing terms that far exceed the true risk and cost of making the loan;
- Including in the loan unearned or otherwise unwarranted fees for services;
- Making it difficult for borrowers to reduce their indebtedness by adding unreasonably restrictive loan terms and structures; and/or
- Targeting customers who are less financially sophisticated or otherwise are vulnerable to abusive practices.

(t) **Prohibited Practices:**

Seller has not engaged in any of the following practices with respect to loans purchased or to be purchased by Western Bancorp:

- Encouraging a borrower to default on an existing loan in connection with the refinance of all or part of the existing loan;
- Financing single premium credit life, disability or unemployment insurance products with the proceeds of the mortgage loan;
- Refinancing of a Special Subsidized Mortgage, defined as a residential mortgage loan that is originated or subsidized by or through a state, local, or tribal government or nonprofit organization and that in some circumstances does not have to be completely repaid or requires only partial payment be made. Examples include, but are not limited to, a mortgage granted by organizations such as Habitat for Humanity or a local housing authority.
- Contracting for a prepayment penalty on any product or loan unless
specifically allowed within Western Bancorp product guidelines:

- Executing documents to evidence or secure the loan which contain an arbitration clause;
- Payment to a home improvement contractor from the proceeds of the mortgage loan other than by a check made payable either to the consumer, or jointly to the consumer and the home improvement contractor, or through an independent third party escrow agent;
- Payment of mortgage loan payments in advance from the loan proceeds; and Contracting for an increase in the interest rate upon default of the loan at a level not commensurate with risk mitigation.

(u) **Escrows:**

- Escrows established for all loans must be compliant with all local, state and federal regulations.
- Sufficient and accurate information has been provided to borrowers concerning each mortgage loan’s terms, costs, risks and benefits including but not limited to disclosure of:
  - Disclosure on products containing a prepayment penalty or the availability of similar products with no prepayment penalty, and
  - On limited documentation products, disclosure of the availability of a lower interest rate in exchange for higher levels of documentation

19 - **Total Loan Compensation**

Total loan compensation for each mortgage loan, including compensation to Loan Originators (as that term is defined in Regulation Z of the Truth in Lending Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act), has been structured to avoid providing any incentive to originate a loan with predatory or abusive characteristics, the compensation was not based on the terms or conditions of the loan, the Loan Originator received compensation from either the borrower or the Seller, but not both, and in all other respects complied with restrictions on Loan Originator compensation set forth in applicable law and regulations: Mortgage loan Information and Documentation:

(a) **Mortgage loan as Described:**

The information contained in all commitments, advices, schedules, computer tapes or other documents or media prepared by the Seller or on behalf of the Seller or otherwise furnished to Western Bancorp relating to the mortgage loan is complete, true and correct.

(b) **Documents:**

The mortgage note and the mortgage are on forms acceptable to Fannie Mae, Freddie Mac, FHA, VA or USDA, or are instruments approved by Western Bancorp, and the Seller has not made any representation to the borrower which is inconsistent with the mortgage instruments used. The mortgage contains customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the mortgaged property
of the benefits of the security provided thereby, including (a) in the case of a mortgage designated as a deed of trust, by trustee’s sale and (b) otherwise, by judicial foreclosure. Upon default by the borrower and foreclosure on, or trustee’s sale of, the mortgage property pursuant to the proper procedures, the holder of the mortgaged property at a trustee’s sale of the right to foreclose the mortgage subject to applicable federal and state laws and judicial precedent with respect to bankruptcy and right of redemption. Payments under the mortgage note are due on the first day of each month with interest payable in arrears.

(c) Due on Sale:
The mortgage contains an enforceable provision for the acceleration of the payment of the unpaid principal balance of the mortgage loan in the event that the mortgaged property is sold or transferred without the prior written consent of the mortgagee thereunder: by the terms of the mortgage note, however, the provision for acceleration may not be exercised at the time of a transfer if prohibited by federal law or, in the event that the mortgage interest rate of the mortgage loan is adjustable, if the prospective purchaser is the transferee of the original borrower, meets the applicable creditworthiness standards of the mortgagee and pays an agreed upon fee.

(d) Original Terms Unmodified:
The terms of the mortgage and mortgage note have not been impaired, waived, altered or modified in any respect, except by a written instrument which has been recorded, if necessary, to protect the interests of Western Bancorp and which has been delivered to and approved by Western Bancorp or its designee.

The substance of any such waiver, alteration or modification has been approved by any applicable issuer of a title insurance policy or a primary mortgage insurance policy covering the mortgage loan, to the extent required by the policy, and its terms are reflected on the mortgage loan schedule delivered to Western Bancorp in connection with the mortgage loan. No borrower has been released, in whole or in part, except in connection with an assumption agreement approved by any applicable issuer of a title insurance policy covering the mortgage loan, to the extent required by the policy, and which assumption agreement is part of the mortgage loan file delivered to Western Bancorp or its designee and the terms of which are reflected in the mortgage loan schedule delivered to Western Bancorp in connection with the mortgage loan.

(e) Validity of Mortgage Documents (Fraud and/or Misrepresentation):
The mortgage note and the mortgage are genuine, and each is the legal, valid and binding obligation of the maker thereof enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium or other similar laws relating to or affecting the rights of creditors generally, and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law).

All parties of the mortgage note and the mortgage and any other related
agreement have legal capacity to enter into the mortgage loan and to execute and deliver the mortgage note and the mortgage and any other related agreement have been duly and properly executed by such parties.

The documents, instruments and agreements submitted for loan underwriting were not falsified and contain no untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the information and statements therein not misleading.

The Seller has reviewed all of the documents constituting the mortgage loan file and has made such inquiries as it deems necessary to make and confirm the accuracy of the representations and warranties set forth herein. The borrower or any other party to mortgage transaction has not made any false representation in conjunction with such transaction, whether or not the Seller was a party to or had knowledge of such representation.

(f) **Assignment of Mortgage:**
The assignment of mortgage to Western Bancorp, if applicable, is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the mortgaged property is located.

(g) **Escrow Holdback loans:**
Unless otherwise specifically approved in writing by Western Bancorp, improvements for the subject property must be complete and funds dispersed when the mortgage is delivered to Western Bancorp for purchase.

**20 · Insurance:**

(a) **Primary Mortgage Insurance:**
Western Bancorp will order Mortgage Insurance at the time of underwriting the loan in Western Bancorp’s name.

Government loans: If the mortgage loan was sold by the Seller to Western Bancorp pursuant to a commitment which provided that such mortgage loan would be guaranteed by the VA or USDA, or insured by the FHA the mortgage loan shall be fully guaranteed or insured, as applicable, and all insurance premiums or guarantee fees due on or before the purchase date shall be paid in full.

(b) **Title Insurance:**
The mortgage loan is covered by an ALTA form of such title insurance policy or other generally acceptable form of policy of insurance acceptable to Fannie Mae or Freddie Mac, issued by, and the binding obligation of, a title insurer acceptable to Fannie Mae or Freddie Mac and qualified to do business in the jurisdiction where the mortgaged property is located, insuring the Seller, its successors and assigns, as to the first priority lien of the mortgage in the original principal amount of the mortgage, and against any loss by reason of the invalidity or unenforceability of the lien resulting from the provisions for the mortgage providing for adjustment in the mortgage interest rate and monthly payment. All applicable title endorsements must be maintained.
Title Endorsements - The following endorsements are required, if applicable to the specific loan:

- ALTA Endorsement form 8.0 (CLTA 110.8) or 8.1 (CLTA 110.9) is required for all loans - Environmental Protection Lien Endorsement
- ALTA Endorsement form 4 (CLTA 115.1) - Condominium Endorsement
- ALTA Endorsement form 5 (CLTA 115.2) - PUD Endorsement
- ALTA Endorsement form 6.0 (CLTA 11.5) or 6.1 (CLTA 111.6) or 6.2 (CLTA 111.8) - Variable Rate Mortgage Endorsement (6.0 or 6.1 are for ARM loans without negative amortization and 6.2 is for ARM loans that do provide for negative amortization
- ALTA Endorsement 13.1-06 - Leasehold
- ALTA 9 (CLTA 100 and 116 - Comprehensive Endorsement and Location Endorsement – Survey

Where required by state law or regulation, the borrower has been given the opportunity to choose the carrier of the required title insurance unless the premium for such insurance was not paid by the borrower. Additionally, such title insurance policy affirmatively insures ingress and egress, and against encroachments by or upon the mortgaged property or any interest therein. The Seller is the sole insured of such Correspondent's title insurance policy, and such title insurance policy is in full effect upon the consummation of the transactions contemplated by the Agreement and will inure to the benefit of Western Bancorp without any further act. No claims have been made under title insurance policy, and no prior holder of the mortgage, including the Seller, has done, by act or omission, anything which would impair the coverage of such title insurance policy.

(c) Hazard and Flood Insurance:

The improvements upon the mortgaged property are insured against loss by fire and other hazards as required by the Pre-Fund Diligence chapter of this Seller’s Guide, including flood insurance if required under the National Flood Insurance Act of 1968, as amended, the Flood Disaster Protection Act of 1973, or the National Flood Insurance Reform Act of 1994. The mortgage requires the borrower to maintain such casualty insurance at the borrower’s expense, and upon the borrower’s failure to do so, authorizes the holder of the mortgage to obtain and maintain such insurance at the borrower’s expense and to seek reimbursement therefore from the borrower. The hazard insurance policy is the valid and binding obligation of the insurer, and is in full force and effect and will inure to the benefit of Western Bancorp upon its purchase of the mortgage loan. All flood insurance and hazard insurance premiums have been paid when due. Where required by state law or regulation, the borrower has been given the opportunity to choose the carrier of the hazard insurance unless either a “master” or “blanket” hazard insurance policy covering the condominium project or planned unit development in which the mortgaged property is located was obtained. Additionally, if the mortgaged property is an individual unit in a condominium project or an individual unit in a planned unit development, then
general liability, fidelity and all other insurance required pursuant to the Pre
Fund Diligence chapter of this Seller’s Guide is maintained in connection with the
condominium project or planned unit development, and each required insurance
policy is in a form and amount, and is issued by an insurer, that is acceptable
pursuant to the Delivery chapter of this Seller’s Guide.

The Seller has not engaged in, and has no knowledge of the borrowers or of any
prior servicer of the mortgage loan having engaged in, any act or omission which
would impair the coverage of any such policy, the benefits of the endorsement
provided therein or the validity and binding effect of either.

(d) Coverage of Insurance:
No action, inaction or event has occurred and no state of facts exists or has
existed that has resulted or will result in the exclusion from, denial of, or defense
to coverage under any applicable insurance policy or guarantee including, but not
limited to, a title insurance policy, a hazard insurance policy, a primary mortgage
insurance policy, FHA insurance coverage, a USDA or VA guarantee or a
mortgage pool insurance policy obtained in connection with the mortgage loan.
In connection with the placement of any such insurance or guarantee, no
commission, fee, other unlawful compensation of value of any kind has been or will
be received by the Seller or any designee of the Seller or any corporation in which
the Seller or any officer, director or employee of the Seller had a financial interest
at the time of placement of such insurance and, to the best of Seller’s knowledge,
no such commission, fee, other unlawful compensation or value of any kind has
been received by any attorney, firm or other person or entity.

(e) No Condemnation and Mortgaged Property Undamaged:
There is no proceeding pending or threatened for the total or partial condemnation
of the mortgaged property. The mortgaged property is undamaged by waste, fire,
earthquake or earth movement, windstorm, flood, tornado or other casualty so as
to affect adversely the value of the mortgaged property security for the mortgage
loan or the use for which the premises were intended.

(f) Detrimental Conditions:
As of the origination date and the purchase date of the mortgage loan, the Seller
did not know or have reason to know that the mortgaged property and the
improvements constructed thereon were subject to any detrimental conditions
which could reasonably be expected to adversely affect the market value of the
mortgaged property or the drainage on or from the mortgaged property.

(g) Location and Type of Mortgaged Property:
The mortgaged property consists of a single parcel of real property with a
detached single family residence erected thereon, or a two-to-four family dwelling,
or an individual condominium unit in a condominium project, or an individual
unit in a planned unit development. No portion of the mortgaged property is
used for commercial purposes.

21 - Additional Characteristics:

(a) Completion and Delivery of Documents:
The Seller shall properly complete and transmit all of Western Bancorp’s forms in a timely manner and in accordance with the requirements set forth in this Seller’s Guide and the instructions provided by Western Bancorp, including the method of transmission. All information contained in any form or communication sent or given to Western Bancorp by or on behalf of the Seller shall be true, correct and complete.

(b) **No Solicitation:**
Neither the Seller nor any of the Seller’s affiliates shall specifically target any mortgage loan sold to Western Bancorp for refinancing or target the borrower relating to any such mortgage loan for the sale of any other financial products. The Seller and the Seller’s affiliates may promote the terms they have for refinancing or other financial products by sending letters or promotional materials to the borrowers for:

- All mortgage loans serviced by the Seller or originated by the Seller during a Specified Time Period,
- Specific types of mortgage loans (such as FHA insured, VA guaranteed, USDA, conventional fixed rate, or conventional adjustable rate) serviced by the Seller or originated by the Seller during a Specified Time Period or
- All mortgage loans with interest rates which fall within specific ranges serviced by the Seller or originated.

Neither the Seller nor any of the Seller’s affiliates may, however, treat the mortgage loans sold to Western Bancorp as a different class of mortgage loans for the purposes of advertising the availability of refinancing terms or other financial products.

Furthermore, neither the Seller nor any of the Seller’s affiliates will transfer or otherwise disclose any information with respect to the mortgage loans sold to Western Bancorp or assist any other person or entity in making a direct solicitation of the related borrowers.

(c) **Inspection of Records:**
The Seller shall permit Western Bancorp and its agents during normal business hours to inspect all books and records of the Seller pertaining to its mortgage lending operations or any mortgage loan purchased by Western Bancorp from the Seller. Such inspection shall be at Western Bancorp’s expense if there has been no default of the Seller.

22 - **Transfer of Servicing Covenants:**

(a) **Notice to borrowers:**
On or before the date prescribed under applicable federal and state law, the Seller shall, at the Seller’s expense, mail to the borrower a letter advising the borrower of the transfer of the servicing to Western Bancorp. The Seller’s notice shall comply with all state and federal requirements. If any notices are returned to the Seller by the postal service for any reason, the Seller shall
promptly forward the notice to Western Bancorp for disposition.

(b) **Notice to Taxing Authorities and Hazard/Flood Insurance Companies:**
No later than fifteen (15) days prior to the Effective Date of Transfer, the Seller shall, at the Seller’s expense, transmit to the applicable taxing authorities and hazard insurance companies and/or agents, notification of the assignment of servicing and instructions to deliver all notices, tax bills and insurance statements, as the case may be, to Western Bancorp from and after the Effective Date of Transfer. The Seller shall provide Western Bancorp with copies of such notices and instructions within five (5) business days of the Seller’s dispatch of such notices and instructions to the foregoing entities.

(c) **Internal Revenue Service Forms:**
The Seller shall mail, on or before the date required by law, all Internal Revenue Service required forms to all parties entitled to receive same for period from January 1 until the Effective Date of Transfer. The Seller shall provide copies of such forms to Western Bancorp upon request. Western Bancorp shall make such Internal Revenue Service filings pertaining to events on and after the Effective Date of Transfer.

All Internal Revenue Service Forms including, but not limited to, Forms 1099, 1099A and 1098, as appropriate, are required to be completed for activity occurring on or before year-end of the preceding calendar year.

(d) **Insurance Policies:**
After the Effective Date of Transfer, the Seller shall deliver such insurance policies or renewals as it may receive with respect to the mortgage loan or the servicing to Western Bancorp within five (5) days of its receipt of same.

(e) **Payment of Hazard Insurance Policies:**
The Seller shall pay, prior to the Effective Date of Transfer, all hazard insurance premiums due within sixty (60) days from the closing/settlement date, provided that the Seller has received bills for such insurance premiums prior to the Effective Date of Transfer. The Seller shall immediately deliver to Western Bancorp all bills and correspondence related to the mortgage loan and received by it subsequent to the Effective Date of Transfer.

(f) **Property Taxes:**
The Seller shall cause to be paid prior to the Effective Date of Transfer all tax bills (including interest, late charges, and penalties in connection therewith) due within sixty (60) days from the closing/settlement date that are issued by a taxing authority and relate to mortgaged property and are received by the Seller or its tax service provider prior to the Effective Date of Transfer. The Seller, or its tax service provider, shall immediately forward to Western Bancorp all tax bills received by the Seller after such date. The foregoing shall in no way impose upon the Seller 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 mortgage loan and which insures Western Bancorp subsequent to the purchase.

(g) **Social Security Numbers:**
The mortgage loan has a certified Social Security number as required by the Internal Revenue Service or, if the mortgage loan does not have a certified Social Security number, the Seller has exercised due diligence (as defined by Internal Revenue Service regulations) to obtain such a number.

(h) **Mortgage Payments Received Prior to Transfer Date:**
Prior to the Effective Date of Transfer, all payments received by the Seller with respect to each mortgage loan shall be properly applied by the Seller to the account of the related borrower.

(i) **Recording of Assignments:**
With respect to each mortgage loan purchased by Western Bancorp from the Seller which is not a MOM (MERS Original Mortgagee) loan, the Seller shall promptly record an assignment of mortgage to MERS which complies with all applicable provisions of state law in the applicable county recorder’s office. Seller shall promptly take all necessary steps to insure that all loans purchased by Western Bancorp are properly reflected in the MERS system indicating Western Bancorp as the holder of the beneficial interest and as the servicer.

MERS: Seller must within five (5) business days of purchase by Western Bancorp:
- Register all loans in MERS
- Initiate a MERS Transfer of Beneficial right (TOB)
- Transfer of Servicing rights (TOS) to Western Bancorp (ORG ID 1008221)

### 23 - Confidentiality

Seller agrees not to use Confidential Information (as defined below) for any purpose other than the fulfillment of its obligations under the Agreement. Seller 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 Seller’s regulators and external auditors without the other’s consent. Seller shall, however, be 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 such disclosure is not prohibited by Gramm-Leach-Bliley Act, as it may be amended from time to time (the “GLB Act”), the regulations promulgated there under or other applicable law: provided, however, that Seller shall take all reasonable measures to ensure that Confidential Information is not disclosed or duplicated in contravention of these provisions by such officers, agents, subcontractors and employees. Seller further agrees promptly to advise Western Bancorp 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 steps reasonably
requested by the other to limit, stop or otherwise remedy such misappropriation, or unauthorized disclosure or use. If the GLB Act, the regulations promulgated there under or other applicable law now or hereafter in effect imposes a higher standard of confidentiality to the Confidential Information, such standard shall prevail over the provisions of this Section.

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

Seller shall establish commercially reasonable controls to ensure Confidential Information is not disclosed contrary to the provisions of this Section, the GLB Act or any other applicable privacy laws and regulations. Without limiting the foregoing, Seller 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. Seller 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. To the extent that Seller assigns any duties and responsibilities under the Agreement to an agent or other subcontractor, reasonable steps shall be taken to ensure that such agents and subcontractors adhere to the same requirements.

Western Bancorp shall have the right, during regular office hours and upon reasonable notice to audit Seller to ensure compliance with the terms of the Agreement, the GLB Act and other privacy laws and regulations. Notwithstanding anything to the contrary contained herein, Seller shall not have any obligation with respect to any Confidential Information of Western Bancorp, or any portion thereof, which the Seller can establish by competent proof:

- Is or becomes generally known to companies engaged in the same or similar businesses as the parties hereto on a non-confidential basis, through no wrongful act of the receiving party;
- Is lawfully obtained by the Seller from a third party which has no obligation to maintain the information as confidential and which provides it to the receiving party without any obligation to maintain the information as proprietary or confidential;
- Was known prior to its disclosure to the Seller without any obligation to keep it confidential as evidenced by tangible records kept by the receiving party in the ordinary course of its business;
- Is independently developed by the Seller without reference to the disclosing party’s Confidential Information; or
- Is the subject of a written agreement whereby the disclosing party
If the Seller or any of its representatives shall be under a legal obligation in any administrative, governmental or judicial circumstance to disclosure any Confidential Information, the receiving party shall give Western Bancorp prompt notice so Western Bancorp may seek a protective order and/or waive the duty of nondisclosure; provided that in the absence of such order or waiver, if the Seller 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 the Seller or its representative without liability hereunder. For as long as Seller continues to possess control of Confidential Information furnished by Western Bancorp, and for so long as the Confidential Information remains unpublished, confidential and legally protectable as the property of the disclosing party, except as otherwise specified herein, the Seller shall make no use of such Confidential Information whatsoever, notwithstanding the expiration of the Agreement. Seller acknowledges their understanding that the expiration of the Agreement shall not be deemed to give either a right or license to use or disclose the Confidential Information of Western Bancorp. Any materials or documents, including copies which contain Confidential Information, shall be promptly returned as may be necessary to prevent disclosure of Confidential Information to third parties.

It is agreed that the unauthorized disclosure or use of any Confidential Information may cause immediate or irreparable injury to Western Bancorp, and that Western Bancorp may not be adequately compensated for such injury in monetary damages. Seller therefore acknowledges and agrees that, in such event, Western Bancorp 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, date 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 Western Bancorp for regulatory, customer relations, and/or competitive reasons. Confidential Information shall also include such confidential and proprietary information or materials belonging to Western Bancorp or to which Seller 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 Western Bancorp has obtained in confidence from another party who treats it as proprietary or designates it as Confidential Information, whether or not owned or developed by Western Bancorp. Without limiting the foregoing, Confidential Information shall include all such
24- Remedies for Breaches of Representations, Warranties or Covenants

(a) Remedies:
This section sets forth events constituting defaults under the terms and conditions of the Agreement (“Events of Default”) and sets for the remedies available to Western Bancorp upon the occurrence of an Event of Default. The Seller is responsible for notifying Western Bancorp immediately upon the Seller’s knowledge of any Event of Default.

The remedies available to Western Bancorp vary based on the loan type, manner of underwriting (if applicable), and the applicable representation, warranty or covenant and are in addition to any other remedies Western Bancorp may have at law or in equity. These remedies include, but are not limited to:

- Repurchase
- Indemnification
- Reasonable Assurances
- Suspension and Termination
- Set-off (Net Fund)
- Withholding of Fundings
- Damages including all losses, costs and expenses incurred as the result of any breach

25 - Events of Default

(a) Breach of Contract:
Seller defaults under or breaches, or Western Bancorp or any of its assigns, discovers the inaccuracy of any of the representations, warranties or covenants set forth in this Seller’s Guide or the Agreement.

(b) Uninsurable Mortgage:
- Insurance Premium: The mortgage insurance premium has not been paid to the Mortgage Insurer;
- Insurance Cancellation or Denial: The Mortgage Insurer cancels coverage and/or denies a claim under such coverage due to fraud, misrepresentation or omission of a material fact or for any other reason related to the eligibility of the mortgage loan for Mortgage Insurance or guarantee;

(c) Fraud and/or Misrepresentation:
The borrower or any other party to the mortgage transaction has made any false representation in conjunction with such transaction, whether or not the Seller was a party to or had knowledge of such false representation.

(d) Unmarketable loan:
The mortgage loan the Seller delivers to Western Bancorp is unmarketable or unmarketable on the secondary market without loss to Western Bancorp due to the defect, including, but not limited to, a mortgage loan as to which:
- Compliance with Agreement: The Seller has not complied with a requirement, term or condition of the Agreement.
- Evidence of Compliance: The Seller is unable to supply satisfactory evidence of compliance with the Agreement.
- False or Misleading Representation: The Seller has made one or more false or misleading representations, warranties or covenants to Western Bancorp in the Agreement or has failed to provide Western Bancorp with the information that is true, complete and accurate as to the mortgage loan or the Seller.
- Underwriting or Documentation: The Seller did not underwrite and/or document the mortgage loan in accordance with requirements.
- Protection of Occupants: The Seller violated or failed to comply with any applicable law designed to protect the health and safety of the mortgaged property’s occupants (including failure to take any action available to the Seller that would relieve the mortgage holder from liability under such law or regulation).
- Repurchases: Any agency or investor requires Western Bancorp to repurchase or indemnify them for a loan defect resulting from any breach of the Seller.

26 - Repurchase Price

The amount the Seller must pay to Western Bancorp upon Western Bancorp’s repurchase request to the Seller (“Repurchase Price”) shall be calculated as follows:

- (a) If the loan has not been sold or pooled, the Purchase Price, including any premium pricing, and expenses incurred by Western Bancorp including, but not limited to, accrued interest through the date of repurchase, any escrow advances, lien protection costs and property preservation.
- (b) If the loan has been sold or pooled, the greater of Purchase Price or unpaid Principle Balance, plus expenses incurred by Western Bancorp including, but not limited to, accrued interest through the date of repurchase, any escrow advances, lien protection costs and property preservation.

Western Bancorp may, as part of its loss mitigation efforts, enter into an agreement modifying the terms of the loan (Modification Agreement) with a borrower suffering an involuntary inability to pay their mortgage under the original terms of the Note. Western Bancorp will provide written notice of such modification and that the seller is still responsible if the loan defaults after such modification occurs. The Modification Agreement may increase the amount of the unpaid principal balance due to capitalization of interest, escrow amount and/or other advances. If default should recur on that loan, the Repurchase Price will include the outstanding principal balance based on the modified loan amount, plus:

- Expenses: Any and all documentary stamp taxes, recording fees, transfer taxes, and all other expenses payable in connection with any such Repurchase, including without limitation, any loss relating to
the Mortgage loan, all costs or expenses incurred by Western Bancorp in the course of Repurchasing such mortgage loan from a third party, and Western Bancorp Mortgage’s reasonable attorneys’ fees; plus Interest, Penalties and fees: Accrued but unpaid interest up to the first day of the month following the date of Repurchase and any penalties or fees charged to Western Bancorp by the Servicer, such as, but not limited to, late fees or restoration fees.

27 - Procedures of Completing Repurchase

- Repurchase: The Seller must repurchase Western Bancorp’s interest in the identified mortgage loan by the Repurchase invoice due date. In the event the Repurchase is not completed by the invoice due date, Western Bancorp may net fund (set off) the amount from subsequent amounts due to the Seller. Alternatively, Western Bancorp may, in its sole discretion, obtain a market price from its internal marketing department and require Seller to reimburse Western Bancorp for the marketing loss incurred and all interest, costs and expenses.

- Wire Transfer of Funds: The Seller shall effect Repurchases by wire transfer from the Seller to Western Bancorp in immediately available funds. Same day credit shall not be given to any wire received after 3:00 PM EST.

- Release Of Loan File: Upon receipt by Western Bancorp of the Seller’s funds for Repurchase, Western Bancorp shall release to the Seller the related loan file(s), transfer beneficial ownership and servicing on the MERS system and shall execute and deliver to the Seller any such instruments of transfer or assignment, in each case without recourse, as shall be necessary to vest in the Seller, or its designee, title to such Repurchased loans.

- Recordation and Transfer Costs/Repurchase Date: The Seller shall assume the cost of recordation of assignments and other costs of transfer of any Repurchased loans. The date of Repurchase is the date when Western Bancorp receives the Repurchase Price funds by wire transfer.

28 - Indemnification Amount

In addition to any repurchase obligation of Seller and any other rights and remedies available to Lender, Seller shall indemnify and hold Lender, its successors and/or assigns harmless from and against, and shall assume liability for, any and all judgments, claims, losses, liabilities, costs, expenses or damages of any nature, including but not limited to reasonable attorney’s fees, professional fees and court costs, incurred or paid by Lender resulting from, based upon or arising out of: (a) any breach or failure to perform by Seller of any term, condition, covenant, representation or warranty contained in or made pursuant to this Agreement or the Seller's Guide, including but not limited to failure to repurchase a Loan(s) as required above; (b) any act or omission of Seller or any employee, independent contractor, vendor, service provider or agent of
Seller which adversely affects any Loan funded by Lender hereunder; (e) any misrepresentation made by Seller in this Agreement or in any information or documents submitted to Lender in connection with this Agreement or any Loan; (d) any false, fraudulent or misleading information provided by or through Seller orally or in writing to Lender; or (e) any false, fraudulent or misleading information provided by or through Seller orally or in writing to a borrower or prospective borrower. Seller specifically acknowledges that Lender is relying upon the documents and information submitted to Lender without independent check or verification, and the fact that a Loan has passed Lender’s underwriting or other review prior to funding by Lender in no way limits Lender’s right to require indemnification as provided above.

In any and all actions with third parties in which Lender has the right to be indemnified hereunder, Lender shall have the complete and exclusive right to select counsel and conduct the defense of such legal proceeding or investigation with such third party, including without limitation the right to compromise, settle or continue such action.

The indemnification obligation set forth in this Section shall survive any termination or cancellation of this Agreement and any sale or transfer of a Loan by Lender.

29 - Early Payoff and Early Payment Default

• Early Payoff: With respect to any loan that prepays in full within the first six (6) months following the date of the Loan closing, Seller shall immediately reimburse Western Bancorp for (i) any amounts previously paid to Seller by Western Bancorp for pricing in excess of par. Any reimbursement will be either offset against any amounts owed to Seller for other loans purchased by Western Bancorp under this Agreement or by separate payment from Seller.

• Early Payment Default: In the event that any Loan becomes sixty (60) days delinquent in the first six (6) months from the date of the Loan closing, Seller shall pay to Western Bancorp an amount equal to the sum of (a) the Administration Fee (as defined below) and (b) any amounts previously paid to Seller by Western Bancorp for pricing in excess of par. For purposes of this Section, the Administration Fee is One Thousand Dollars ($1000) for a loan which is a Conventional loan and is Two Thousand Five Hundred Dollars ($2500) for a loan which is an FHA, VA or USDA loan. Any reimbursement will be either offset against any amounts owed to Seller for other loans purchased by Western Bancorp under this Agreement or in the form of separate payment from Seller.

30 - Offset “Net Funding”

Western Bancorp may offset against the price for any mortgage loan delivered for purchase by the Seller, or against any other amounts owed by Western Bancorp to the Seller pursuant to the Agreement or any other contract or instrument
between the Seller and Western Bancorp, any outstanding amounts owed to Western Bancorp by the Seller or any affiliate of the Seller, including, but not limited to:

- Fees, penalties and expenses arising out of the Seller’s failure to timely deliver any final documentation;
- Pair-off fees, penalties or charges relating to delivered or undelivered mortgage loans;
- Costs and expenses arising out of the Seller’s breach of any of its representations, warranties or covenants under the Agreement; and
- Costs and expenses incurred by Western Bancorp as a result of action taken by Western Bancorp based on Western Bancorp’s reasonable belief that the Seller is no longer able to fulfill its obligations under the Agreement, including its repurchase and indemnification obligations pursuant to this Section.

31 - Suspension or Termination of Selling Privileges

Western Bancorp may, in its sole and absolute discretion, suspend or terminate the Seller’s selling privileges for any reason, including, but not limited to, the following:

- The Seller fails to perform any of its obligations under the Agreement within the prescribed time periods;
- Any representation or warranty made in the Agreement is untrue or not remedied timely in any material respect;
- The Seller fails to meet the eligibility requirements contained in this Seller’s Guide;
- Western Bancorp experiences excessive fallout during a defined period with respect to mortgage loans committed to be sold by the Seller to Western Bancorp;
- The Seller’s fidelity bond and/or errors and omissions coverage is canceled and no replacement coverage is obtained;
- Western Bancorp discovers that excessive delinquencies have occurred with respect to mortgage loans purchased from Seller;
- Western Bancorp, in its sole and absolute discretion, considers suspension or termination necessary to protect its interests or enforce its rights.

During a period of suspension or following termination, the Seller shall be ineligible to obtain new commitments. Western Bancorp shall, in its sole and absolute discretion, determine the duration of any period of suspension and shall prescribe the terms and conditions for reinstatement.

Before notifying the Seller of suspension or termination of the Seller’s selling privileges, Western Bancorp may, in its sole and absolute discretion, issue a warning to the Seller that it has violated, is violating or is about to violate one or more of the provisions of the Agreement and that unless corrective action is taken within a specified time period, suspension or termination of the Seller’s selling privileges may result. Western Bancorp will generally provide the Seller with at least thirty (30) days prior written notice of its intent to suspend or terminate the Seller’s selling privileges.
Certain violations of the Agreement are viewed as particularly serious offenses. In such cases, Western Bancorp may determine that a shorter notice period is necessary or advisable to protect Western Bancorp’s interests, and Western Bancorp may act without prior written notice to suspend or terminate the Seller’s selling privileges at its sole discretion. If prior written notice is not provided, suspension or termination of the Seller’s selling privileges will become effective upon verbal notice from Western Bancorp to the Seller. Written confirmation will be promptly provided of the suspension or termination.

The Seller may file a written statement requesting any action or proposed action by Western Bancorp to suspend or terminate the Seller’s selling privileges be reversed or modified. This statement need not be in any particular form, but should specify any mitigating circumstances and other information deemed relevant by the Seller. The statement must be postmarked or and delivered to Western Bancorp no later than fifteen (15) calendar days after the date the Seller receives the above described written notice from Western Bancorp. If a written statement is received within the required time period, Western Bancorp will determine whether the suspension or termination (and the effective date thereof) will be delayed pending review of the Seller’s written statement, in its sole discretion. The Seller’s written statement will be evaluated to determine whether to affirm, reverse or modify the action or proposed action to suspend or terminate. Written notice of the determination to affirm, reverse or modify will be mailed to the Seller within thirty (30) days or receipt of the Seller’s written statement. The failure by Western Bancorp to deliver such notice shall not be deemed a decision by Western Bancorp to reverse or modify the proposed suspension or termination, nor shall it be deemed a waiver of any right Western Bancorp may have under the Agreement and Seller’s Guide.

32 - Loan Document Corrections

Although the Seller is solely responsible for the correction of all errors and deficiencies in the documentation relating to each mortgage loan sold by the Seller to Western Bancorp, Western Bancorp may in the interest of expediency or based on its interpretation of applicable law or agency requirements correct such errors or deficiencies at the expense of the Seller. The Seller shall reimburse Western Bancorp for any such expenses within thirty (30) days of demand by Western Bancorp. Western Bancorp’s correction of any error or deficiency in a mortgage loan document shall not be deemed as a waiver of any rights Western Bancorp may have with respect to the Seller in connection with the related mortgage loan.

33 - Remedies Cumulative

All rights and remedies of Western Bancorp under the Agreement are in addition to all other rights and remedies available to Western Bancorp in law or equity. Western Bancorp may exercise its rights and remedies concurrently, independently or in succession, and all such rights and remedies shall inure to the benefit of Western Bancorp, its successors and/or assigns. The failure of Western Bancorp to exercise any of its remedies under the Agreement with respect to a
breach or default of the Seller does not constitute a waiver of such remedy with respect to such or default or any subsequent breach.

33.1 Pricing & Rate Lock Policy
Please refer to the attached addendum

Compliance
34 - Overview
Compliance with all federal, state, local and municipal laws, ordinances, rules and regulations including without limitation, usury, truth-in-lending, real estate settlement procedures, consumer credit protection, equal credit opportunity, fair housing and lending disclosure laws is mandatory.

Seller must originate and disposition each mortgage loan in strict compliance with the applicable agency guidelines and all applicable governing statutes and regulations as amended and in effect at the time the loan was made, including, but not limited to, the following:

- Equal Credit Opportunity Act (Regulation B)
- Fair Credit Reporting Act (FCRA)
- Truth-in-Lending Act (Regulation Z)
- Real Estate Settlement Procedures Act (RESPA - Regulation X)
- Home Mortgage Disclosure Act (HMDA – Regulation C)
- Home Ownership and Equity Protection Act (HOEPA)
- SAFE Act
- Appraisal Independence Requirements (AIR)
- Home Valuation Code of Conduct (HVCC)
- Regulations issued by the Financial Crimes Enforcement Network (OFAC)

From time to time as necessary, Western Bancorp will update compliance requirements in response to regulatory changes related to mortgage lending. Seller may not, however, rely on Western Bancorp to advise Seller of these changes in order to originate loans.

35 - Electronic Signature
Western Bancorp will not accept electronically signed collateral (closing) Loan documents at this time.

36 - Western Bancorp Anti-Predatory Lending Policy
(a) Overview:
Western Bancorp supports the expansion of fair and equitable home ownership opportunities and opposes predatory lending. Western Bancorp is committed to upholding the standards of fair and responsible lending in all aspects of our business and requires those with whom Western Bancorp does business to share that commitment. Our commitment emphasizes product choice, fair pricing and credit terms with clear disclosure.

Western Bancorp requires that all mortgage loan applicants be treated fairly and equitably through all channels, whether through Retail, Seller or
Warehouse. Western Bancorp requires adherence to applicable federal, state and local laws, statutes, regulations, commentary and principles, including but not limited to the items more fully described below.

(b) Predatory Lending Description:
Seller warrants that no form of predatory lending has been employed in connection with the origination of any mortgage loan. For purposes herein, “predatory lending” includes, but is not limited to any deceptive and/or abusive acts or practice that is not in the best interest of the borrower(s). This includes, but is not limited to, any one or more of the following acts or practices:

- Making loans strictly on the basis of the borrower’s equity without regard to the proper underwriting of the borrower's payment ability;
- Making loans that unreasonably jeopardize the borrower’s equity;
- Frequent refinancing of loans with fees that can strip the equity from a borrower and which simply generate fee income with no benefit to a borrower;
- Using pricing terms that far exceed the true risk and cost of making the loan;
- Including in the loan unearned or otherwise unwarranted fees for services;
- Making it difficult for borrowers to reduce their indebtedness by adding unreasonably restrictive loan terms and structures;
- Targeting customers who are less financially sophisticated or otherwise are vulnerable to abusive practices;
- Any act or omission which materially interferes with the ability of a borrower to understand a term or condition of a loan; or
- Takes unreasonable advantage of a lack of understanding on the part of the borrower of the material risks, costs, or conditions of the loan:
- Takes unreasonable advantage of the inability of the borrower to protect their interests in obtaining a loan; or
- Takes unreasonable advantage of the reasonable reliance of the borrower on the Mini Correspondent to act in the interests of the borrower.

Seller further warrants that they have not engaged in any of the following practices with respect to loans purchased or to be purchased by Western Bancorp:

- Encouraging a borrower to default on an existing loan in connection with the refinance of all or part of the existing loan;
- Financing single premium credit life, disability or unemployment insurance products with the proceeds of the mortgage loan;
- Refinancing of a Special Subsidized Mortgage - A “Special Subsidized Mortgage” means a residential mortgage loan that is originated or subsidized by or through a state, local or tribal government or nonprofit organization and that in some circumstances does not have to be completely repaid or requires only
partial payments be made. Examples include, but not limited to, a mortgage granted by organizations such as Habitat for Humanity or a local housing authority.

- Contracting for a prepayment penalty on any product or loan unless specifically allowed within Western Bancorp guidelines;
- Requiring borrowers to execute documents to evidence or secure the loan which contain an arbitration clause;
- Allowing payments to a home improvement contractor from the proceeds of the mortgage loan other than by a check made payable either to the consumer, or jointly to the consumer and home improvement contractor, or through an independent third party escrow agent;
- Payment of mortgage loan payments in advance from the loan proceeds; and Contracting for an increase in the interest rate upon default of the loan at a level not commensurate with risk mitigation.
- The borrowers must be provided sufficient and accurate information concerning each mortgage loan's terms, costs, risks and benefits, including but not limited to disclosure of:
  - The existence of a prepayment penalty, if applicable, prior to closing
  - Disclosure on products containing a prepayment penalty of the availability of similar products with no prepayment penalty, and
  - On limited documentation products, disclosure of the availability of a lower interest rate in exchange for higher levels of documentation.
  - Total loan compensation of each mortgage loan, including compensation to third party originators, must be structured to avoid providing any incentive to originate a loan with predatory or abusive characteristics.

(c) **HOEPA:**
Seller warrants that all mortgage loans comply with provisions of the Home Ownership and Equity Protection Act of 1994 (HOEPA), as amended, as well as meet all applicable state, federal or local laws or ordinances. Loans that exceed HOEPA's guidelines are ineligible for delivery to Western Bancorp Mortgage.

(d) **Laws:**
Seller warrants that in the process of originating the loans it has strictly complied with all applicable federal, state and local laws, ordinances, and regulations which govern mortgage lending. This includes, but is not limited to:

- Equal Credit Opportunity Act (Regulation B)
- Fair Credit Reporting Act (FCRA)
- Truth-in-Lending Act (Regulation Z)
- Real Estate Settlement Disclosure Act (RESPA – Regulation X)
- Home Mortgage Disclosure Act (HMDA – Regulation C)
- Home Ownership and Equity Protection (HOEPA)
• SAFE Act
• Appraisal Independence Requirements (AIR”), and subsequent regulations
• Regulations issued by the Financial Crimes Enforcement Network
• Customer Identification Program (CIP) under USA Patriot Act
• FHA (Fair Housing Act)
• Bank Secrecy Act
• FTC Unfair and Deceptive Acts and Practices (UDAP)
• DFA (Dodd-Frank Wall Street Reform & Consumer Protection Act; and all implementing regulations thereto as regulations become effective)

(e) Compliance with points and fees:
The provisions of any other less restrictive law or regulation notwithstanding, points and fees charged in connection with mortgage loans may not exceed 5% of the original loan amount ($1,000 for loan balances of $20,000 or less). Points and fees include:
• Origination fees, underwriting fees, broker fees or finder’s fees
• Charges imposed as a condition for making the loan and paid to the Seller or a third party.

Points and fees do NOT include:
• Bona fide discount points (which result in meaningful reduction of the loan’s interest rate)
• Fees for actual services rendered, such as attorney fees, notary fees, appraisal, credit report, survey, title examination and extract, flood and tax certification and home inspection
• Mortgage insurance or credit-risk price adjustments
• Cost of title, property and flood insurance policies
• State and local transfer fees and taxes
• Tax and insurance premium escrow deposits
• Miscellaneous fees and charges that do not exceed one-quarter of 1% (0.25%) of the loan amount

(f) HMDA
HMDA requires the financial institution that makes a credit decision on a loan application prior to the loan closing to report such application and decision in its HMDA records. As such, Western Bancorp will report the loan application information and action taken for each application submission as it has not delegated underwriting authority to Seller and renders a loan decision prior to the loan closing.

(g) High Cost loans:
Mortgage loans that are designated as “high-cost” or “high-risk” or such other like term, secured by properties in states that prohibit such loans are not eligible for sale to Western Bancorp. Western Bancorp will not purchase or fund any loan that is considered to be “high cost” or “high risk” or such other like term or any loan that is considered to be predatory in the jurisdiction where the property is located.
(h) **HPML:**
A “Higher Priced Mortgage loan” (HPML) is a first lien secured by a primary residence that has an annual percentage rate (APR) of 1.5% or more above the average prime offer rate (APOR) for comparable transaction as of the rate lock date. APR and APOR are both defined in Regulation Z. Requirements, as outlined in Regulation Z, must be followed. Loans that are not eligible include, but are not limited to, loans with prepayment penalties, ARMs with initial period less than 7 years and 5 year balloon reset mortgages. Western Bancorp will not purchase or fund any loan considered a HPML Loan.

(i) **Credit Insurance:**
Western Bancorp does not accept any loans with the following credit insurance where the premiums were paid out of loan proceeds or in connection with the granting of the loan:
- Prepaid single-premium credit life
- Credit disability
- Credit unemployment
- Credit property insurance policy or
- Other such products

(j) **Monitoring/Quality Control:**
If any irregularities or discrepancies are discovered during Western Bancorp’s routine review, Western Bancorp will expand the scope of the quality control reviews on Seller’s loans to ensure all problem areas are identified.

Western Bancorp will provide reports to Sellers. Sellers will be required to respond to any findings of moderate risk or greater or to any indications of trends toward risk findings. Sellers should investigate and respond with their results and what actions will be taken to correct the situations. Serious issues with quality and/or material findings trends or failure to respond to the report findings will result in termination of the Seller’s approval with Western Bancorp.

**Disclaimer:** From time to time, Western Bancorp will alert Sellers to important legal issues. However, Sellers may not rely upon Western Bancorp to inform them of the legal requirements applicable to the origination of mortgage loans and the provision of, or failure to provide, such information does not alter or constitute a waiver of any right Western Bancorp has under the Agreement. In particular, the provision of, or failure to provide, such information does not, in any way, alter, waive or modify Seller’s representations and warranties to Western Bancorp that all loans sold to Western Bancorp are originated in accordance with state and federal law. This Policy is not intended and should not be construed as legal or business advice.

37 - **Appraiser Independence Requirements**
Mini Correspondents warrant that all appraisals on loans offered for sale to Western Bancorp are in compliance with Appraiser Independence Requirements (AIR) specified by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC and the Office of Thrift Supervision and the Consumer Financial Protection Bureau.
(a) **Appraiser Independence Safeguards**

Mini Correspondent is responsible for the following appraiser independence safeguards:

No employee, director, officer, or agent of the Seller, or any other third party acting as joint venture partner, independent contractor, appraisal company, appraisal management company, or partner on behalf of the Seller, shall influence or attempt to influence the development, reporting, result, or review of an appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or in any other manner including but not limited to:

- Withholding or threatening to withhold timely payment or partial payment for an appraisal report;
- Withholding or threatening to withhold future business for an appraiser, or demoting or terminating or threatening to demote or terminate an appraiser;
- Expressly or impliedly promising future business, promotions, or increased compensation for an appraiser;
- Conditioning the ordering of an appraisal report or the payment of an appraisal fee or salary or bonus on the opinion, conclusion, or valuation to be reached, or on a preliminary value estimate requested from an appraiser;
- Requesting that an appraiser provide an estimated, predetermined, or desired valuation in an appraisal report prior to the completion of the appraisal report, or requesting that an appraiser provide estimated values or comparable sales at any time prior to the appraiser’s completion of an appraisal report;
- Providing to an appraiser an anticipated, estimated, encouraged, or desired value for a subject property or a proposed or target amount to be loaned to the borrower, except that a copy of the sales contract for purchase transactions may be provided;
- Providing to an appraiser, appraisal company, appraisal management company, or any entity or person related to the appraiser, appraisal company, or appraisal management company, stock or other financial or non-financial benefits;
- Removing an appraiser from a list of qualified appraisers, or adding an appraiser to an exclusionary list of disapproved appraisers, in connection with the influencing or attempting to influence an appraisal as described in Paragraph B above (this prohibition does not preclude the management of appraiser lists for bona fide administrative or quality-control reasons based on written policy); and
- Any other act or practice that impairs or attempts to impair an appraiser’s independence, objectivity, or impartiality or violates law or regulation, including, but not limited to, the Truth in Lending Act (Truth-in-Lending Disclosure A) and Regulation Z, or the Uniform Standards of Professional Appraisal Practice (USPAP).

(b) **Acceptability of Subsequent Appraisals**

A Seller must not order, obtain, use, or pay for a second or subsequent
appraisal in connection with a Mortgage financing transaction unless: (i) there is a reasonable basis to believe that the initial appraisal was flawed or tainted and such basis is clearly and appropriately noted in the Mortgage file, or (ii) such appraisal is done pursuant to written, pre-established bona fide pre- or post-funding appraisal review or quality control processes or underwriting guidelines, and so long as the Seller adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value, or (iii) a second appraisal is required by law.

(c) **Borrower Receipt of Appraisal**

The Seller shall ensure that the borrower is provided a copy of any appraisal report concerning the borrower’s subject property promptly upon completion at no additional cost to the borrower, and in any event no less than three business days prior to the closing of the Mortgage. The borrower may waive this three-day requirement if such waiver is obtained at least three days prior to the closing of the Mortgage. The Seller may provide the borrower at closing, a revised copy of an appraisal and information as to the nature of any revisions, so long as the revisions had no impact on value.

The Seller may require the borrower to reimburse the Seller for the cost of the appraisal.

### 38 - General Loan File Submission Delivery

**Initial Loan File Submission** – Initial loan file submission packages must include:

1. Complete Mini Correspondent Package Submission Checklist
2. Please complete all sections of the form.
3. LMS Xpress Delivery: Upload FNMA 3.2 file and complete submission to LMS Xpress to reflect Processing Status
4. Initial 1003 signed & dated by borrower(s) and/OR interviewer (MLO)
5. 1008 Transmittal Summary
6. Credit Report – Import into LMS Xpress, print and include in submission package (dated within 60 days)
7. Run AUS (DU) in LMS Xpress, print findings and include in submission package
8. IRS 4506-T completed, signed and dated with evidence Transcripts ordered through RealEC – include transcripts or print confirmation and include with submission package.
9. Income Documentation (dated within 60 days)
   AUS: Use AUS (DU) findings for minimum required income documentation
10. Asset Documentation (dated within 60 days)
    AUS: Use AUS (DU) Findings for minimum required documentation. All assets input in AUS must be verified.
11. Purchase Contract executive (signed/dated) by all parties,
complete with all addendums.

12. Appraisal if required. Not needed during initial submission for new construction

13. Title commitment

14. GFE and Service Provider List dated within 3 business days of initial 1003

15. All lender initial disclosures, signed by the borrower(s) as required by state and federal law. State specific disclosures as required, as applicable.

Note: CA DRE MLDS 882 is not required for companies with a CFL (Californian Finance Lender) License regulated by the California Dept. of Corporations.

(a) Automated Underwriting System (AUS)

For a complete process to obtain an AUS run through DU access our website and follow the prompts for LMS Express.

(b) Appraisal Ordering Process

• Appraisal Products
  o Appraisal Products must be ordered through Western Bancorp’s Appraisal Order Portal under assignment allocations set by Western Bancorp to Appraisal Management Companies currently approved by Western Bancorp’s Vendor Management.

• Appraisal Order Portal
  o Once your company is an approved Western Bancorp Mini-Correspondent (and/or Broker), the login information will be emailed to your company for access the appraisal portal.

• Appraisal Pricing
  o The Appraisal product and pricing has been standardized with uniform pricing from all Western Bancorp approved Appraisal Management Companies.

• Reconsideration of Value Process, Quality Challenge and requests for Second Valuation Products

  Unless the product guidelines specifically require a second appraisal/valuation product the Correspondent is not allowed to order any secondary valuation product. All reconsiderations, quality challenges and requests for secondary valuation products must be reviewed, approved and ordered by Western Bancorp’s Appraisal Review Department.

  o To submit an appeal, challenge or request for secondary valuation product:
    • Send the request directly to your Western Bancorp AE with all supporting documentation.
    • Do not submit an appeal to the Appraisal Management Company.
**Final Loan File Submission Delivery:**

Collateral File shall be delivered to:

Western Bancorp  Attn: Correspondent Lending Division
5671 Santa Teresa Blvd #103
San Jose CA 95123

The Collateral file package must include:
- Original Mortgage Note (all applicable riders/addendums)
- Bailment Letter
- Original Endorsement or Allonge – executed but endorsed in blank

**39 - Bailment Letter**

- For each mortgage loan which is delivered to Western Bancorp and for which a third party holds an interest, a bailment letter must be included in each file and be identified sufficiently for Western Bancorp.
- The bailment letter should include:
  - Seller’s name;
  - Western Bancorp loan number;
  - The principal balance; and
  - Wiring or payment instructions.

Important: The bailment letter and the Collateral Documents must be delivered to Western Bancorp’s Custodian within 24-hours of delivery of the credit/closed loan file.

**40 - Insurance**

Western Bancorp ISAOA
5671 Santa Teresa Blvd., Suite 100
San Jose, CA 95123
Loan Number

**41 - File Return Request**

Requests to return original documents must be sent in writing. To request the return of original documents, please contact our Operations team at: elaguna@westernbancorp.com

The following documents will be required:
- Western Bancorp Loan number
- Borrower Name
- Property Address
- Requestor’s contact information
- Return Address
- Document(s) that need to be returned
- Reason for return, such as need to correct document,
- Indicate whether the loans should:
• Remain Active;
• Be cancelled by Western Bancorp or
• Be cancelled by Seller

Upon receipt of all required information, Western Bancorp will mail the documents within 3 - 5 business days from initial receipt of the request. Original Notes will be mailed within 3 business days at customer’s expense.

**Note:**

• Original Notes received from a Warehouse Bank will be returned to the Warehouse Bank regardless of return address in the request.

• Request received after 3:00 p.m. Eastern Time will be considered received the following business day.

**42 - Quality Control Review**

Western Bancorp will randomly select loans prior to funding/post funding and review them to ensure they meet our underwriting guidelines. These reviews may be targeted to a specific area of review (such as collateral) or may be 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. These reviews will be used to determine:

• Complete loan file and all underwriting disclosures provided (as required by product)
• Soundness of underwriting decisions
• Detection of fraud and misrepresentation

**43 - Note**

• An Original Note is always required - lost note affidavits are not acceptable.
• An Original Note with white out will not be accepted, and the borrower must initial any cross outs on Note.
• Note Date needs to match closing date on the Security Instrument
• If the Late Charge is incorrect, a new Note is required
• Property Address must match the Title and Legal Description.
• Lender name on note must be the same as the Mini Correspondent Approved
• Loan Amount, Interest Rate and P&I must be correct and match other documents in file.
• First Payment on Note must be the first of the month
• If First Payment Date to Western Bancorp 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 & state. If the form is incorrect, a new Note is required.
• Refer to [http://www.efanniemae.com](http://www.efanniemae.com) for state and product specific note forms.
• Note must be signed by all qualifying borrowers.
• On all loans eligible for sale to Fannie Mae or Freddie Mac, the tagline that identifies the instrument as a Uniform Instrument must remain
44 - Corrective Note

When a revised original Note needs to be signed by the borrower, Western Bancorp will not accept Notes marked as:

- Duplicate Original
- Corrected Copy
- Replacement Note or Similar

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.

45 - Allonges/Endorsements to the Note

- Must have complete Endorsement chain ending with Western Bancorp
- Seller name on the face of the note must be the exact name of the Seller in the endorsement language
- DBA's are required - whenever the lender's name on the note does not match the lender's name on the endorsement exactly Western Bancorp will accept a Corporate Name Trade Certification to purchase the loan
- The form of the Allonge and its use complies with all applicable GSE requirements
- The use of the Allonge does not impair Western Bancorp's status as a ‘holder in due course’ or any of Western Bancorp's rights under the Purchase Documents.
- Seller further agrees to indemnify Western Bancorp from any loss or damage incurred as a result of the use of an Allonge for the Note endorsement(s).
- 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/loan Date
  - Note/loan amount
- If you sign a Corporate Resolution with Western Bancorp, Western Bancorp will have the ability to make any corrections to endorsements from you the Seller to Western Bancorp prior to purchase on your behalf.
- Example of an endorsement:
  Without recourse,
  Pay to the order of Western Bancorp By (typed name of Seller)
  Signature of authorized signer Typed name of signer
46 - Power of Attorney

- The Power of Attorney must be a specific Power of Attorney to the loan transaction. The Power of Attorney must include the parties in the transaction, the property address, and reference the loan transaction, including sales price, loan amount, and terms.
- The title insurer must approve the use of the Power of Attorney and must insure the Seller’s security interest. Any Power of Attorney exception in the title commitment must be cleared.
- The title agent must record the original, notarized Power of Attorney with the mortgage/deed of trust.
- The Power of Attorney must be in force (not expired) at the time of loan funding.
- The Power of Attorney must meet all applicable state requirements.
- The individual acting as Attorney-in-Fact must have a family or fiduciary relationship with the borrower. Personal relationships with ownership interest in the subject property are also acceptable.
- A signed and notarized copy of the POA must be in file and reviewed by underwriting prior to final Western Bancorp underwriting approval. Powers of Attorney must be used only in circumstances where the Borrower is unable to attend the closing due to extenuating circumstances. The reason for using a Power of Attorney must be documented by the Borrower and included in the file. Power of Attorney’s may not be used for convenience purposes. Closings should be rescheduled in these cases so that all Borrowers can attend the closing.

47 - Power of Attorney Form

Title agents should provide an acceptable state version of a Specific Power of Attorney form for the Borrower(s) to have executed prior to closing.

48 - Unacceptable Power of Attorney

- Any General Power of Attorney.
- Any Power of Attorney for a non-resident alien or attorney-in-fact that is a non-resident alien.
- Any Power of Attorney signed by an individual other than relationships noted above.

49 - Signatory Requirements for Agent/Attorney-in-Fact

When signing closing documents or the principal, the attorney-in-fact must sign using the phrase attorney-in-fact in the corresponding signature. For example, if Jane Doe is acting as attorney-in-fact for John Doe, she must sign John Doe’s name in the following manner:

John Doe by Jane Doe, his attorney-in-fact Acceptable

Identification for Agent/Attorney-in-Fact

Any applicant closing with a Power of Attorney must provide acceptable identification to the individual notarizing the POA. Acceptable documentation includes:

*Copy of driver’s license
*Passport
*Green Card

The attorney-in-fact must also provide the closing agent acceptable identification in the form of a driver's license or passport at the time of loan closing. A copy of the identification must be retained in the loan file.

Powers of Attorney executed outside the U.S. must be executed in a U.S. consulate and attested to by the counsel or his/her designee.

50 - Security Instrument/ Deed of Trust

- Complete Security Instrument, including all pages and correct legal description is required.
- Check Closing Date, Loan Amount, Maturity Date, USPS and Property Address against Note
- Check County name and Legal description against 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 Security Instrument is incorrect, the errors must be corrected and the Security Instrument re-recorded. Western Bancorp will require a copy of the instrument with corrections and letter of intent to re-record prior to funding of loan.
- Changes on the Security Instrument 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 funding of loan.
- Correct forms must be used according to the product & state.
- 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 MOM Security Instrument must have 18 digit min #
- If Seller’s Org ID, and MIN # is incorrect or missing, Seller 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 number
  - Correct the Mortgage and re-record

MERS will not accept a Security Instrument with Western Bancorp's Org ID and MIN number on the document.

- The following person(s) must sign the Security Instrument and any Riders to the Security Instrument:
  - Each person who has an ownership interest in the security 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 state law to waive any property right
he or she has by virtue of being the owner's spouse or domestic partner.

51 - Security Instrument Riders
Check that appropriate riders are attached and signed. If a rider is not signed at closing, borrower(s) must execute the applicable Riders and Security instrument with Rider attached must be re-recorded.

(a) 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 Security Instrument.
• 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, this is acceptable.
• Required for all conventional loans and VA loans when the FNMA/FHLMC 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 rerecord the Security Instrument.

(b) Multistate Condominium Rider (Form 3140)
• If appraisal states that the property is a Condominium, a signed Condominium Rider must be attached to the Security Instrument.
• 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, the Condo Rider must be removed from the Security Instrument and the Security Instrument must be re-recorded.
• Required for all conventional loans and VA loans when the FNMA/FHLMC 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 rerecord the Security Instrument.

(c) Applicable Multistate Adjustable Rate Rider (and, if applicable, an addendum to the Rider)
• There are a number of different versions of this Rider, based on the applicable ARM plan or index.
• A special ARM Rider is required for Texas Section 50(a) (6) adjustable-rate loans.

(d) 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 Security Instrument and the Security Instrument must be re-recorded.
(e) Multistate 1 - 4 Family Rider (Form 3170)

- Required for loan secured by a two- to four-unit principal residence.
- Rider is not required on FHA loans

52 - Marital Rights - Non Owner Spouses

If a loan is subject to rescission under the Truth-in-Lending Act, 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 security 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 state law to waive any property right 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.

53 - Assignment – MERS

All loans must be assigned to Mortgage Electronic Registration Systems, Inc. For information on MERS Membership, visit their Web site at www.mersinc.org.

(a) General

- If Seller'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#
  - 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 Security Instrument

(b) MERS Members

The following are MERS Members policies:

- MERS members have an Org ID with MERS and can generate MIN numbers.
• You can close your loans with MOM Security Instruments, which will eliminate the need for an assignment.

• MERS members must register the loan within 5 days of purchase, and then transfer the loan to Western Bancorp: Transfer to Org ID 1008221, as the servicer.

(c) MERS Org ID for Western Bancorp Mortgage

• The following identifies Western Bancorp Org ID number for MERS Members who complete the registration of their loans with MERS and how to transfer loans correctly.
  1st Mortgages 1008221
  The correct way to transfer is:
  SERVICER: Leave Blank
  SUBSERVICER: Leave Blank

54 - HUD-1 Settlement Statement

• A final HUD-1 must include borrower's names, property address and loan amount

• Final HUD-1 must be signed, exception Escrow States

• To meet Fannie Mae's delivery requirement for signatures on a HUD-1 in escrow state transactions, Western Bancorp will accept an estimated HUD-1 signed by all parties to the transaction or signed addendums to the estimated HUD-1 or signed escrow/closing instructions.

• Interest Credit up to 7 calender days.

• Western Bancorp 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 3rd business day of the month in order for the first payment on the loan to reflect a full month of interest collected.

• HARP product, cash back cannot be over $250.00. If over $250 the difference must have been applied as a principal reduction, per GSE guidelines. Principal reduction can not exceed $2,000.00

• If escrows are collected on the HUD-1, Western Bancorp will net escrows from the Purchase Advice.

55 - Escrows / Impounds

(a) Tax Bills

Prior to starting escrow calculations, it is important that all tax bills due within sixty (60) days of the settlement date are paid before or at settlement.

Any tax bills paid prior to settlement must have a paid receipt at settlement for proof of payment. Seller will be billed for any tax penalties that accrue. If bills are not available the title policy must reflect taxes as being paid current.

Any Taxes due within thirty (30) of loan purchase must be paid prior to purchase or Seller to provide Letter of Tax Payment responsibility.
(b) **Initial Escrow Account Disclosure (IEAD)**

- Initial Escrow Statements are required on all loans in which escrows / impounds are being held by the servicer.
- Flood Insurance must be escrowed if there are escrows for any other item.
- If loan has Mortgage Insurance, monthly Mortgage Insurance must be on Initial Escrow Account Disclosure and amount match MI Cert
- A two (2) month cushion should be used in the Initial Escrow Statement unless state regulations specify differently.
- 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 such as school taxes, city taxes, insurance premiums, etc. that is expected to be paid during the next escrow computation year. Need to 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 PMI premium amount): escrow disbursements prior to the 1st Pay Date; interim/added assessment; Total Reserves to be collected at Closing and Target Balance.

(c) **Escrow Waiver Policy**

For an escrow waiver to be considered, refer to the following details and requirements.
- Escrow Waiver form
- Payment Letter signed by borrowers showing no escrows with payment
- A blank signed Initial Escrow Account Disclosure Statement Western Bancorp will consider escrows waived if only homeowners/hazard insurance are being escrowed on the HUD-1.

If a loan requires flood insurance and we escrow for ANY other item, we **MUST** collect escrows for flood insurance. This is a federal regulation/requirement.

(d) **Tax Certificate/ Tax Information Worksheet**

- A completed Tax Certificate must be in the file. If there is not a completed Tax Cert, Tax information provided within the Title Commitment or Policy is acceptable

(e) **Hazard Insurance/Insurance Policy**

Any of the following items may serve as evidence of valid Hazard Insurance, so long as we also have proof of payment:
- Actual Policy
- “Evidence of Insurance”
• Certificates of Insurance (Condo’s)

**Coverage Requirements for 1-4 Units & PUD’s**

Hazard insurance for 1-4 family units and PUD’s must provide coverage for loss or damage from fire and other hazards covered by the standard “Fire and Extended Special Form Coverage” policy. The coverage cannot limit or exclude from coverage windstorm, hurricane, hail damages, or any other perils that are normally included under an extended coverage endorsement. Normal perils which are excluded must be covered under a separate policy, an endorsement that provides the protection.

For purchase transactions, a one year policy must be paid in advance. For refinances, a minimum of 4 months must be remaining paid on the policy.

**Coverage Requirements for Condominiums**

Obtain an “Individual Insurance Certificate” and retain a copy in the file for all condos. This is typically reviewed and approved by underwriting, as part of the “Project Warranty” process.

**Coverage Amount**

Coverage amount will be a maximum of 100% of the replacement cost of the improvements. Use the estimated cost new per the appraisal to determine this figure. Do not include the value of the land.

If the insurance policy has the “Extended Replacement Cost” or “Similar Cost Construction” endorsement a copy of the endorsement must be attached if it is not written clearly on the policy.

Coverage should always cover the extended replacement cost or the loan amount whichever is less. If there is no appraisal (HARP) the insurance coverage must cover the loan amount.

HO-6 insurance must cover 20% of the appraised value. If there is no appraisal (HARP) the insurance coverage must cover 20% of the loan amount.

**Maximum Deductible Requirements**

The deductible may be up to the greater of 1% of the face value of the policy, or $1,000.

For PUD units covered by a blanket policy, use a maximum of $1,000 or 1% of the unit’s replacement cost, whichever is greater.

For Condo’s, use the lesser of $10,000 or 1% of the Master Policy’s face value.

**Evidence of Payment**

Purchases require a one-year policy be paid in advance. If impounds apply, the plan cannot be a “monthly payment plan”. Borrowers may demonstrate evidence of payment with either a paid receipt, or so long as it was included on the lender’s instructions, and is reflected on line 1001, or other line number indicating “Hazard
Insurance” of the Hud1 Settlement Statement.

Refinances must be treated like purchases if a new hazard insurance policy is being obtained. Six months must be remaining at funding. If there are less than 4 months remaining, a new one year policy can be initiated, or the existing policy may be paid forward to at least four months.

**Loss Payee**
Verify the accuracy of the borrowers names match the legal documents, that the property address matches the legal documents, and verify the lender’s loss payable endorsement reads as the following:

Western Bancorp, its successors and/or assigns,
5671 Santa Teresa Blvd, San Jose, CA 95123

**Second Home Insurance Coverage**
Verify that there is NOT rent loss insurance coverage on the property, as this is indicative of an investment property.

### 56 - Flood Insurance
Flood Insurance (if applicable)
- A current Flood Insurance Policy or Binder must be in the file. A Flood Application is also acceptable but a paid receipt is then required.
- The Policy/Binder/Application must reference borrower.
- The Policy/Binder/Application must reference the property address.
- The Policy/Binder/Application must be for a term of 12 months.
- The amount of coverage must be shown on the Policy / Binder / Application.
- If a Condo, the policy must have one million dollars liability insurance.
- If Site/Detached Condo, individual policy is acceptable.
- Seller should follow Fannie Mae, Freddie Mac and federal guidelines for flood insurance coverage.

They require the lesser of:
- 100 percent of replacement cost of the dwelling;
- The maximum insurance available from the NFIP, which is currently $250,000; or
- The unpaid principal balance of the mortgage (or combined balance of all mortgages if there is more than one lien).

### 57 - Condominium Requirements:
- Please refer to the specific product guidelines for complete details.

### 58 - Life of Loan Certification
- Western Bancorp requires that all loans submitted for funding contain a Standard Flood Hazard Determination Contract.
- Flood Cert 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 Contract enables the investor 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. The certification must meet regulatory requirements including full compliance with the National Flood Insurance Reform Act of 1994.
- If Standard Flood Hazard Determination 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)
- Sellers can obtain a Standard Flood Hazard Determination with a Life of Loan Contract from a company of their choice who performs flood determination services in accordance with the most recent Federal Emergency Management Agency Flood Determination guidelines. Western Bancorp recommends using CoreLogic Flood Services
- Western Bancorp will apply the following fees at funding for Standard Flood Hazard Determinations received, as listed below:
  - Vendor Standard Flood Hazard Determination WITHOUT a Life of Loan Contract: Refer to Fee Matrix
  - Determination WITH a Life of Loan Contract: Refer to Fee table.

59 - Mortgage Insurance (MI)

Seller is responsibility to disclosure Mortgage Insurance (MI) with initial disclosures. MI Cert with the following info is required on all loans with an LTV over 80%. If the cert shows initial premium due, the amount must be shown on the HUD-1 as being paid. If the cert shows zero payment, no payment is required to be on the HUD-1. If the cert states "Zomp" (Zero-Option Monthly Premiums) no payment is required to be on the HUD-1. All loan information listed below must match the loan terms. If the loan information is different, a new certification must be obtained. Western Bancorp will order the mortgage insurance at the time of underwriting. MI coverage must meet Western Bancorp requirements including:
  - Borrower’s Name and Property Address
  - Correct Loan Amount and Loan Term
  - Correct Appraised Value and Sales Price

Acceptable Borrower Paid Mortgage Insurance Payment Options include:
  - Monthly and Zero Monthly
  - Single Premium (Borrower Paid)

Borrower Paid MI Option
  - Genworth
  - MGIC
Acceptable Lender Paid Mortgage Insurance Payment Options include:
- Single Premium (Lender Paid)

**60 - Notice Regarding PMI**
Disclosure is required if:
- Borrower-paid Mortgage Insurance
- 1-unit Primary residence

Disclosure must contain the two dates informing the borrower when they can cancel their Mortgage Insurance. If loan is an ARM, a Disclosure is required but the dates are not required to be on the form.

**61 - Application (1003)**
- Western Bancorp requires a completed fully executed 1003
- Initial and final 1003’s must be provided
- Final 1003 must be executed by all applicable parties
- All HMDA data must be completed
- Originator is determined by auditing the interviewers section of the 1003

**62 - Title Insurance**
Title insurance policy must grant a valid lien position and comply with FNMA's title insurance requirements as it relates to coverage, acceptable title exceptions and endorsements. You can find more information on the FNMA website at [http://www.efanniemae.com](http://www.efanniemae.com).
- If refinance, title must be vested in borrower(s) only; if not, a Quit Claim Deed is required
- If purchase, current owner must match current owner on Appraisal and Sales Contract
- Determine if the property is Fee Simple or Leasehold; Leasehold Agreement should not expire before the maturity date of mortgage and ground rents must be paid current
- Appraisal will also confirm if property is Leasehold or Fee Simple
- Title Endorsements required, if applicable per specific loan requirements:
  - ALTA Endorsement form 8.0 (CLTA 110.8) or 8.1 (CLTA 110.9) is required for all loans - Environmental Protection Lien Endorsement
  - ALTA Endorsement form 4 (CLTA 115.1) - Condominium Endorsement
  - ALTA Endorsement form 5 (CLTA 115.2) - PUD Endorsement
  - ALTA Endorsement form 6.0 (CLTA 11.5) or 6.1 (CLTA 111.6) or 6.2 (CLTA 111.8) - Variable Rate Mortgage Endorsement (6.0 or 6.1 are for ARM loans without negative amortization and 6.2 is for ARM loans that do provide for negative amortization)
western bancorp will accept provided the short form title polices provide the same amount of coverage as a standard policy but in a shorter format. the policy references the loan specifics (insured amount, date of policy, property address, borrowers, etc.) and refers to general documents for all coverage. limited coverage policies are not acceptable.

for example: it automatically provides the environmental protection lien endorsement (alta 8.1), condo and pud endorsements and all other standard endorsements without actually 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 state is in oregon
- property is leasehold
- investor guidelines prohibit (refer to product summary)
- an attorney's opinion of title is not acceptable.
- the mortgage must not be secured by a unit in a condominium or pud or a dwelling on a leasehold estate.

64 - final truth in lending

- a final truth in lending disclosure signed at closing is required
- truth in lending document must be signed by all borrowers (all parties on title must sign for primary residence)
- confirm truth in lending is dated same day as note/security instrument.
- prepay section must be completed correctly.
- western bancorp will require all tila disclosures for loans to contain the required information about interest rates and payments changes in the required format.

65 - pmi drop off in payment schedules

- the homeowners protection act sets out rules for termination of pmi insurance on residential home loans. it provides that the borrower may request pmi cancellation when the principal balance of the loan reaches 80% of the property's value and that the servicer must cancel pmi 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 pmi affects the payment schedule on the truth in lending disclosure. if the pmi payment is dropped just above the 78% ltv, the payment schedule will show one month (or more) fewer pmi payments
than if the PMI payment is dropped just below the 78% LTV. See example below.

- Western Bancorp audits the Truth in Lending disclosure on its purchased loans pre-fund or post fund and reviews the payment schedule calculations.
- Additional audits of the Truth in Lending disclosure payment schedule calculations will require that PMI payments must continue until the principal balance of the loan has reached 78% of the property value. Since the 78% does not coincide exactly with the timing of the monthly payment, this will mean the principal balance will actually be below 78% at the time that the PMI payments can be dropped.

### 66 - Right of Rescission

- Use the rescission form that most accurately describes the transaction:
- Right of rescission documents must be signed and dated by all borrowers and all parties on title.
- Right of rescission should be signed and dated the same day as TIL and Security Instrument was notarized.
- New rescission must be issued if cancellation date is not within 3 full days after date of the TIL, and Security Instrument notarized date.
- If Rescission is not signed by all applicable parties, if dates are missing or incomplete or if the borrowers did not receive a full 3 days -Western Bancorp will suspend for a new rescission period to be opened and disclosed to the borrower(s). The new rescission notice must have current dates.
- Waivers of rescission period are not permitted.

### 67 - State and Federal Disclosures

All disclosures must be in compliance with state, federal and local mortgage lending laws and regulations. All required disclosures should be contained in loan file.

### 68 - Closing Instructions - Borrower Identity

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

- **U.S. Person**:
  - Valid State driver's license (photo)
  - Valid State non-driver's license (photo)
  - Military photo
  - U.S. Passport photo

- **Non-U.S. Person**:
  - Non-U.S. Passport (photo)
  - Resident Alien Card

### 69 - W-9 Form

A complete W-9 Form is required to be signed by all borrowers at closing.
**74 - 4506T Form**

All borrowers must sign a 4506T form at the time of application, and at the time of closing. If transcripts are provided, the 4506T form would only be required at the time of closing.

**75 - Verification of Employment**

In addition to standard documentation required to verify adequacy and stability of income, a verbal or written Verification of Employment (VOE) form is required within 3 days of closing for all loans except self-employed borrowers. Additional guidelines include: Written VOE in Lieu of Verbal VOE If the employer will not provide a verbal VOE, then a written VOE must be sent to the employer to be completed, signed, and dated within 3 days of closing.

When the VVOE is obtained from a third party verification source such as The Work Number, the 10-day time-frame is measured from the date of the vendor’s report, not the date the information was updated in the vendor’s database. The information must have been updated within the past 35 days.

Salaried, Hourly, and Commission Income Borrowers

Prior to performing the verbal VOE, the address and phone number for each borrower’s current employer must be independently verified using directory assistance, Internet sites, telephone directories, or by contacting the applicable licensing bureau.

If the borrower is in the military, a military Leave and Earnings Statement dated within 30 days of the note date is acceptable in lieu of a verbal VOE. A print-out of the evidence received must be placed on top of the income documentation in the file.

Items to be included in Verbal Verification of Employment form for a Salaried, Hourly and Commission Income Borrower:

- Borrower Name
- Social Security Number
- Employer Name
- Employer Address
- Phone Number used to complete the verification
- Who it was verified with and title
- Third Party Source used to obtain the phone number used for the Verbal Verification
- Start Date of Employment
- Is the borrower active or on leave
- Is the borrower Full time, Part Time or Temporary
- Who completed the Verbal VOE, Title and Date it was completed

Self-Employed Borrowers

For self-employed borrowers, acceptable third-party confirmation of the existence of the borrower’s business is required. This confirmation must be obtained within 30 days of closing. Verification from a third party such as a CPA, regulatory agency, department of corporations, or the applicable licensing
bureau is acceptable. Documentation from one of these sources must be printed and placed on top of the income documentation in the loan file.

In addition, a phone listing and address for the borrower’s business using the Internet, directory assistance, or telephone directory must be documented in the loan file. A print-out or copy of the listing must be placed on top of the income documentation in the loan file. If the borrower does not have a business phone number listing, but uses a personal cell phone number, the Broker must certify that the cell phone number it is in service, and that it is answered by the borrower as his/her place of business.

Items to be included in Verbal Verification of Employment forms Self-Employed Borrower:
- Borrower Name
- Social Security Number
- Business Name
- Business Phone number
  - Is the number listed?
    - Yes - print the listing information
    - No - Unlisted business phone numbers require satisfactory explanation of why this does not impact the generation of business or service and must be approved by Western Bancorp Mortgage.
  - Was the business verified through a third-party source
    - Yes – proceed
    - No - Loan cannot close without third party verification of business and phone number

Indicate the source of the third party verification and print the documentation from the internet verifying business start date, type of business and position held for the file.

Options:
- CPA verbal or written verification (verbal requires name, address and phone number of the CPA to be documented)
- Department of Corporations
- Business License obtained and verified through licensing bureau
- Better Business Bureau or D&B report
- Regulatory agency verification

NOTE: Voice mail is unacceptable verification as well verification of the business by the owner of its employees

76 - Occupancy Certification
- A signed Occupancy Cert is required on all conventional loans locked where the occupancy type is a Primary Residence or Second Homes and DU issues an Occupancy Finding or is required per UW Approval

77 - Prior Lien Validation
- Inclusion of the payoff statement in the loan file is now required.
78 - GSA, LDP and Exclusionary List

- Western Bancorp will not purchase any loan where any company or individual who is a material party to the transaction are listed on HUD’s “Limited Denial Participation” (LDP) list.
- Western Bancorp will not purchase any loan where any company or individual who is a material party to the transaction are listed on the federal General Services Administration (GSA) Excluded Party list.
- Western Bancorp will not purchase any loan where any company or individual who is a material party to the transaction are listed on the Freddie Mac Exclusionary List.
- Western Bancorp reserves the right to make additions and revisions to this list without notice.
- This applies to all loans.

Funding Requirements and Wiring Instructions

This chapter describes Western Bancorp’s processes to wire transfer payments to Seller for funded Mortgage. Loans purchased by Western Bancorp, and procedures for complying with Sellers' remittance obligations.

80 - Purchase Mortgage Loans at Scheduled Balance

Western Bancorp assumes Seller will collect scheduled payments that have already become due.

For Loans purchased fewer than 15-days prior to the next payment due, Western Bancorp will amortize down one more payment so the scheduled purchase balance is lower than the current unpaid principal balance. A pay history is required after two payments. For scheduled balance Loans funded between the 1st and 15th day of the month, the Effective Date of Transfer is the 1st day of the following month. For Loans funded after the 14th day of the month, the Effective Date of Transfer is the 1st day of the second month following the Sale Date. It is Seller's responsibility to continue servicing the loan and collecting payments up to the Effective Date of Transfer and to forward all curtailments received during this time.

(a) Scheduled Balance

For Loans purchased fewer than 15 days prior to the next payment due, Western Bancorp will amortize down one more payment so the scheduled purchase balance is lower than the current unpaid principal balance. A pay history is required after one payment.

(b) Effective Date of Transfer

The Effective Date of Transfer is determined by the type of purchase balance at funding. For scheduled balance Loans funded between the 1st and 15th day of the month, the Effective Date of Transfer is the 1st day of the following month. For Loans funded after the 15th day of the month, the Effective Date of Transfer is the 1st day of the second month following the Sale Date. It is Seller’s responsibility to continue servicing the Loan and collecting payments up to the Effective Date of Transfer and to forward all curtailments received during this time.
Balance funded Loans will transfer immediately.

(c) Wire Transfer Process
Prior to wiring funds to Seller, Western Bancorp will review the Funding Documents and make a determination regarding completeness and accuracy. If Western Bancorp agrees the delivery is complete and accurate, the following occurs:

- Using Seller’s wire instructions, Western Bancorp wires the agreed-upon funds to Seller. Western Bancorp will make Commercially-reasonable efforts to initiate each wire transfer in sufficient time to credit Seller’s account on the scheduled Funding Date.
- Purchase Advices will be electronically sent to the Seller when available.
- Any fees due to Western Bancorp will be netted from the wired funds (e.g.: Funding fee; Standard Flood Hazard Determination fee; Tax Service Fee; or Interest charges). Seller is solely responsible for the Purchase Advice reconciliation. Seller must notify Western Bancorp of any disputes immediately upon discovery. Seller must deliver any request to Western Bancorp for corrections to payments due to Seller within 30 days of the due date, or the right to pursue such disputes will be deemed waived by Seller.

Post Funding

81 - Post Funding Adjustments

- Post Funding Adjustments
  A post funding adjustment (PFA) is generally Western Bancorp refund of monies owed to Seller or payable to Western Bancorp due to a discrepancy in the purchase wire transaction (payment issues, pricing errors, or escrow impounds).

  It is the Correspondent responsibility to submit the Post Funding Adjustment inquiries as needed. Documentation meaning any corresponding docs will help in the research of the adjustment.

- Post Funding Adjustments Timeframe
  o For Post Funding Adjustments that affect the borrower servicing account will be researched and Correspondent will be contacted within 5 business days regarding resolution. Please note that Servicing may require additional days to get posted to account.
  o For Post Funding Adjustments that do not affect the borrower account will be researched and Correspondent will be contacted within 10 business day regarding resolution.
  o If you do not receive notification within the allotted time outlined, then you can request an update. Rushes can be requested but will be reviewed on a case by case scenario.
  o After final review and approval of the Post Funding Adjustment,
Correspondent will be notified by email of the approved amount. Mini Correspondent will be required to verify amount within 48 hrs of notification. If not notified, funds will be applied as approved.

- Requesting a Post Funding Adjustment - To request a PFA, contact Operations: 408-960-6112 further direction.

**82 - Tax Penalty Process for Delinquent Taxes or Assessments**

Seller is responsible for paying any penalties or late fees for delinquent taxes or assessments incurred because of installments due while a loan was held in suspense and became due before the loan was purchased by Western Bancorp, or due within 60 days from closing, or due within 30 days of purchase.

All tax amounts that were due within 60 days from closing must have been paid or monies held for later payment by the title company/closing attorney. This information must be reflected on the HUD-1 Settlement Sheet and included in the loan file when submitted for purchase. Tax amounts due while the loan is still in suspense or that are due within 30 days of the Purchase Date must be paid by the Seller with evidence of the tax payment provided to Western Bancorp.

The PFA Team will also review monthly reports provided by our tax department, which contain all claims for reimbursement for tax payments made where:

- Funds were not collected nor remitted at or after closing
- Penalties were assessed as the result of non-payment by the Seller
- Penalties were assessed as the result of non-payment by Western Bancorp for funds due within 60 days from closing or within 30 days of purchase and were held in the escrow account
- Funds were not remitted timely due to an incomplete or missing legal description
- Funds were remitted incorrectly through receipt of an incorrect legal description

All documentation provided by the Tax Department is reviewed to ascertain responsibility for the claim reimbursement. On those Loans where the claim amounts are determined to be the responsibility of Seller or Title Company, repayment of these amounts to Western Bancorp will be reflected on the monthly invoice.

- The Aggregate Accounting Method must be used for all Loans to determine the escrow accounts
- Western Bancorp will net the dollar amount disclosed on the HUD-1 or payment history for escrow funds from the wire
- Excess escrow must be forwarded to the following address:
  Western Bancorp Attn: Account Service
  5671 Santa Teresa Blvd #103
83 - Final Document Delivery (Trailing Docs)

Lenders are required to send the trailing documents as outlined below (NOTE: Do not send any trailing documents until Western Bancorp has purchased the loan):

Note: Seller should not include any final trailing documentation when delivering closed loans for purchase to Western Bancorp.

The Mini Correspondent lender will ship the final documents [Original (or a County Certified Copy) Recorded Security Instrument, Final Title Policy, and Recorded Assignment(s)], utilizing the Western Bancorp Final Document Transmittal Form to the following address:

Western Bancorp
Attn: Post Closing Correspondent
5671 Santa Teresa Blvd #103
San Jose CA 95123

At this time, Western Bancorp will provide our clients, via email, monthly outstanding final document reports. The final trailing documents will be considered late 30 days after the recording. For example, if County A has an average recording time of 90 days, Western Bancorp will consider those documents late if not received within 120 days of the note date.

The lender can email trailingdocs@westernbancorp.com with any questions regarding the trailing documents.

84 - Seller Transfer Responsibilities

It is the Seller's responsibility to notify all applicable parties immediately upon purchase of the loan by Western Bancorp. Seller is responsible for complying with the following guidelines:

- MERS: Seller must within five (5) business days of purchase by Western Bancorp:
  * Register all loans in MERS.
  * Initiate a MERS Transfer of Beneficial right (TOB).
  * Transfer of Servicing rights (TOS) to Western Bancorp (ORG ID 1008221)
- Goodbye Letters: Seller is responsible for delivering a notification of loan sale and change of servicer (“Good-bye Letter”) to the Borrower at least fifteen (15) days prior to the first payment due Western Bancorp in accordance with RESPA guidelines.
- Notification should not be provided to the Borrower until AFTER Western Bancorp has purchased the loan.
- Notification must be prepared on Seller's letterhead.
- If Seller has collected escrow funds, Seller must provide a short year escrow account to Borrower within sixty (60) days of the servicing transfer, regardless of whether the funds have been disbursed prior to the sale of the loan to Western Bancorp.
- Notification transfer dates must match Western Bancorp’s Hello Letter.
• Notification must include both Seller’s and Western Bancorp’s toll free numbers and business hours.

• The transfer date is always the 1st; no other day of the month may be used.

• Insurance Providers: Seller must send notification of the servicing transfer to the applicable insurance companies after loans are sold to Western Bancorp.

• Proper and timely notices must also be sent to mortgage insurance, and hazard and flood insurance companies. The notification should instruct insurance companies to use the following address for all notices, billings and insurance statements:
  Western Bancorp
  Attn: Tax & Insurance Dept.
  5671 Santa Teresa Blvd., Suite 100
  San Jose, CA 95123

  Hazard/Flood Mortgagee Clause
  Western Bancorp ISAOA
  5671 Santa Teresa Blvd., Suite 100
  San Jose, CA 95123

85 - Escrow Waiver (Deletion) Policy for loans serviced by Western Bancorp.
Western Bancorp allows for borrowers to request for escrow deletion. Newly originated loans must have a minimum of a 12-month pay history as the first eligibility step before utilizing this option. Additional loan level criteria elements must be met as well.

86 - Payoff Requests on Existing Western Bancorp Serviced loans
The following options are available to request a Payoff on loans currently being serviced by Western Bancorp:

• Borrower can validate their information and submit a payoff request via phone – 408-578-8700

• Email Requests – The borrower or title company may contact Rebekah Carter at rencarter@westernbancorp.com to request a payoff.
## Standard Closing Document Package

- Bailee Letter when applicable
- Seller Wiring Instructions
- Servicing Transfer Letter
- Final Funding Worksheet
- Goodbye letter
- Final HUD-I and addendum
- Borrower Rate Lock Confirmation or Interest Rate Set Date Form
- Preliminary Title Report/Commitment
- Original settlement agent wire instructions
- Closing Protection letter from original closing agent
- MERS Registration confirmation or copy of executed Power of Attorney (POA)
- Closing instructions
- State specific security instrument
- Multi state note and applicable riders
- 4506-T
- Amortization Schedule (fixed rate loans, with PMI)
- ARM PMI disclosure, if applicable
- Fixed Rate MI Disclosure, if applicable
- Borrower Acknowledgement of Appraisal Delivery
- Borrower Contact Information
- Borrower’s Certification and Authorization
- Errors & Omissions / Compliance Agreement
- FBI Notice (recommended)
- Federal ECOA
- First Payment Letter
- Hazard Authorization & Insurance Disclosure
- Important Applicant Information
- Initial Escrow Account Disclosure Statement, if loan has impounds
- Escrow Waiver Disclosure, if impounds are waived
- Final Truth In Lending Statement
- Itemization of Amount Financed
- Notice of Assignment, Sale or Transfer of Servicing Rights
- Notice of Flood Determination
- Notice of Impound & Escrow Account
- Notice of Right to Cancel, if rescindable transaction
- Notice of Your Right to Privacy
- Notice Regarding Furnishing Negative Information
- Occupancy Statement
• Patriot Act Disclosure Borrower Identification, if not already obtained in the origination process
• Risk Based Pricing Notice with Notice to Applicant
• Servicing Disclosure
• Signature / Name Affidavit
• SSN Number Authorization Release (SSA89)
• Tax and Insurance Information Sheet
• Tax Bill Authorization
• W-9
• All state specific disclosures
• All product specific disclosures (ie. ARM, FHA, VA)

Common items that Delay Purchase
• Missing Compliance Documents: (See Compliance Quick Reference Document on Website)
• HOEPA Interest Rate Set Date - Evidence of Rate lock terms to borrower are not provided
• AIR - Missing evidence appraisal was ordered after MDIA, TILA disclosure 3 day wait period.
• AIR – Missing evidence of delivery and receipt of appraisal by borrower
• TILA – Missing evidence of delivery and receipt of disclosures both initial and re-disclosures
• TILA – Missing changed circumstance reason to support re-disclosure
• Missing note
• Incorrect endorsement to the note
• Incomplete copy of the Mortgage/Deed of Trust
• Missing Riders to the Mortgage/Deed of Trust
• Incomplete assignments
• Missing final HUD-1, missing seller side of HUD-I, missing signatures required on HUD-I
• Missing or incomplete hazard, tax, mortgage insurance, or flood information
• Inconsistent, incorrect and/or incomplete borrower(s) signatures on Reverse Mortgage documents
• Rate conformation from the lender to
Pricing Addendum for Non Delegated Correspondent

Correspondent Lock Expiration and Closed Loan File Delivery
Western Bancorp requires delivery of a closed loan package by rate lock expiration. If a file is delivered after rate lock expiration it will be automatically relocked at worse case or a minimum of .250 fee.

Correspondent Purchase Expiration Date
Once a closed loan package is delivered to Western Bancorp 7 calendar days will be added on to the rate lock expiration. Purchase expiration is lock expiration + 7 calendar days. The loan must be purchased by the purchase expiration date or will be subject to automatic suspense cure extension fees.

Correspondent Suspense Cure Extensions
If a loan is not purchased by the purchased due date extension fees of 2bps per day will be applied. Maximum of 15 days extensions after purchase expiration is allowed.

Correspondent Maximum Suspense Cure Timeframe
Files in suspense longer than 15 calendar days will be returned to the Correspondent.
Sample Borrower Goodbye Letter

September 10, 2013

Borrower Name
Mailing Address

Re:   Borrower Loan Number
Prop:  Property Address

Dear Customer,

We are pleased to have had the opportunity to assist you in the financing of your home. This letter is to inform you that the servicing of your mortgage loan, that is, the right to collect payments from you, is being assigned, sold or transferred from (Mini Correspondent) to Western Bancorp effective with your (First payment date) payment.

The assignment, sale or transfer of the servicing of the mortgage loan does not affect any term or condition of the mortgage other than terms directly related to the servicing of your loan. Accordingly, you are still obligated to make any payment due before due_investor to Western Bancorp.

Western Bancorp
- You will receive an introductory letter and payment coupon within the next few weeks. If you do not receive this information, please call them directly.
- Phone number: 408-578-8700
- Correspondence address: 5671 Santa Teresa Blvd #103, San Jose CA 95123
- Customer Service hours of operation: 8:30am-5:00pm Standard Time.
- Your new loan number will be (Enter new loan number)

Payment Information
- (Enter Correspondent Name) will cease collecting payments and Western Bancorp will begin collecting payments on (1st payment date).
- Please make your (Enter your first payment date), Western Bancorp at 5671 Santa Teresa Blvd, San Jose, CA 95123. Write your new loan number on your check and mail to this address. If Western Bancorp receives the payment, we will forward it on your behalf.
- Please send any payment due prior to (Enter 1st payment date) to Western Bancorp.

Insurance Reminder
It is important to inform your insurance agent of this transfer. Please have them change the mortgage clause to Western Bancorp ISAOA 5671 Santa Teresa Blvd #103, San Jose CA 95123.
You should be aware of the following information, which is set out in more detail in Section 6 of the Real Estate Settlement Procedures Act (RESPA) (12 U.S.C. 2605):

Except in limited circumstances, the law requires your present servicer to send you this notice at least 15 days before this effective date or at closing. Your new servicer must also send you this notice no later than 15 days after this effective date.

Within 60 business days following the effective date of the transfer of the loan servicing, a loan payment received by your old servicer before its due date may not be treated by the new loan servicer as late, and a late fee may not be imposed on you.

Section 6 of RESPA (12 U.S.C. 2605) gives you certain consumer rights. If you send a “qualified written request” to your loan servicer concerning the servicing of your loan, your servicer must provide you with a written acknowledgment within 5 business days of receipt of your request. A “qualified written request” is a written correspondence (other than a notice on a payment coupon or other payment medium supplied by the servicer), which includes your name, account number, and your reasons for the request. If you want to send a “qualified written request” regarding the servicing of your loan, it must be sent to the correspondence address listed above.

No later than 30 Business Days after receiving your request, your servicer must do one of the following things. Make any appropriate corrections to your account. Provide a statement of their reasons for concluding the account is correct. Provide information requested or an explanation of why the information requested is unavailable or cannot be obtained by them. They must provide you this information in written form. The 30-day period may be extended for not more than 15 days if, before the end of such 30-day period, the servicer notifies you of the extension and the reasons for the delay in responding.

During the 60 business day period beginning on the date of the servicer’s receipt of a qualified written request relating to a dispute regarding your payment, your servicer may not provide information to a consumer reporting agency concerning any overdue payment related to such period or qualified written request. However, this does not prevent the servicer from initiating foreclosure if proper grounds exist under the mortgage documents. A “Business Day” is a day on which the offices of the business entity are open to the public for carrying on substantially all of its business functions.

Section 6 of RESPA also provides for damages and costs for individuals or classes of individuals in circumstances where services are shown to have violated the requirements of that Section. You should seek legal advice if you believe your rights have been violated.

If you have any questions relating to the transfer of servicing to Western Bancorp, call me between 9:00 a.m. and 5:00 p.m. Pacific Time, Monday through Friday at (your phone number).

Sincerely,

(Your Contact Information)