

FHA Sponsorship Program

This is an addendum (“Addendum”) to the Mortgage Broker Agreement (“Agreement”) entered into by and between Pacific Bay Lending Group and _____
this _____ day of _____, 20____, such Agreement incorporated herein by this reference. This Addendum is supported by mutual consideration, the adequacy and receipt of which is hereby acknowledged by the Parties.

WHEREAS, Mortgage Broker wishes to originate mortgage loan application packages for mortgage loans insured by the Department of Housing and Urban Development (“HUD”) through the Direct Endorsement Program under Sections 203(b), 203(k), and 234(c) of Title 24 of the Code of Federal Regulations, and provisions relating to Home Equity Conversion Mortgages (collectively, “Insured Mortgage Loans”); and

WHEREAS, Lender is considering, at its sole option, acting as Sponsor of Mortgage Broker as a 3rd party originator for the origination and processing of applications for such Insured Mortgage Loans; and

WHEREAS, Lender and Mortgage Broker wish to define the conditions pursuant to which Lender is willing to sponsor Mortgage Broker and make available the funds necessary to finance Insured Mortgage Loans submitted to and accepted by Lender pursuant to this Addendum.

NOW THEREFORE, Lender and Mortgage Broker hereby agree to the following:

Section 1 – Definitions. All terms not otherwise defined herein *shall* have the meaning specified in the Agreement. To the extent that this Addendum may conflict with any provisions of the Agreement, the terms and conditions of this Addendum shall control and supersede any conflicting provision in the Agreement.

Section 2 – Previous Training and Experience. Mortgage Broker shall submit to Lender, for consideration of sponsorship approval, a Letter of Explanation (“LOE”) certifying and detailing Mortgage Broker’s FHA experience, along with supporting documentation. Such LOE shall include a restatement of current Net Worth, any training certificates from FHA course(s) and/or evidence of FHA loan approvals from other wholesale lenders. To originate Home Equity Conversion Mortgages (“HECM” Loans), Mortgage Broker must be approved for such originations and enter into the agreement with ReverseVision as set forth in Addendum G(R).

Section 3 – Mortgage Broker Representations and Warranties. In addition to the Mortgage Broker’s representations and warranties in the Agreement, Mortgage Broker hereby makes the following representations and warranties to Lender as of the date of execution hereof and throughout the term of this Addendum. Lender shall be deemed to have conclusively relied on the representations and warranties, regardless of any independent investigation Lender may have made or may hereafter make.

A. Mortgage Broker has the power, authority, and legal right to make, deliver and perform under this Addendum, and all of the transactions contemplated hereunder; and has taken all necessary action to authorize and execution, delivery and performance of this Addendum. The execution of this Addendum has been duly authorized and executed by Mortgage Broker and is, or upon delivery will be, legal, valid and binding obligation of Mortgage Broker enforceable in accordance with its terms, subject only to applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditor rights generally.

B. Neither this Addendum nor any statement, report, or other document furnished or to be furnished pursuant to this Addendum or in connection with the Lender’s approval or any transactions contemplated hereby, contains any untrue statement of fact or omits to state a fact necessary to make the statements contained therein not misleading.

C. To the extent that the mortgage activities contemplated in this Addendum require Federal, state or local licensing, registration or other approval, Mortgage Broker has obtained such license, registration or approval and will maintain them in good standing at all times during the term of this Addendum.

D. Mortgage Broker shall perform all loan origination functions with respect to processing applications for Insured Mortgage Loans to be underwritten by Lender, other than those which are authorized by HUD to be performed by third parties. Mortgage Broker shall comply in all respects with all lending requirements of FHA and all requirements of FHA.

E. For each Insured Loan originated, an FHA Approval Letter shall be obtained and all conditions for FHA approval met.

F. If Mortgage Broker has any association or affiliation with a real estate services company, there is no dual employment.

G. If Mortgage Broker is a HUD-approved lender, the only loans to be submitted to Lender will be those for loan programs not offered by Mortgage Broker.

Section 4 – Funding Agreement. Mortgage Broker shall process and submit to Lender applications for Insured Mortgage Loans to be underwritten by Lender, all in accordance with the provisions specified in the Agreement. Lender agrees to fund Insured Mortgage Loans which meet Lender's then-current underwriting criteria and which meet all requirements for insurance under HUD's Direct Endorsement program. Approved Insured Mortgage Loans must only be underwritten by Lender and closed in Lender's name, in accordance with Federal, State, and Local requirements. At the closing of the Insured Mortgage Loan, Lender shall advance to the closing agent the amount necessary to fund the Insured Mortgage Loan.

Section 5 – Lender Representations and Warranties. Lender, is a mortgagee which holds a valid origination approval agreement with HUD, is approved to participate in the Direct Endorsement program and meets the applicable net worth requirements established by HUD.

Section 6 – Quality Review. Lender shall have the right to perform a quality control review of Mortgage Broker's business activities related to the origination and processing of applications for Insured Mortgage Loans pursuant to this Addendum. Mortgage Broker will, upon request, provide Lender with any documentation, including but not limited to financial records and audit reports, which Lender considers necessary to verify Mortgage Broker's compliance with Federal and state requirements for loan brokers. Lender may, upon providing five (5) days' notice, conduct periodic on-site audits of Mortgage Broker's business activities related to this Addendum. The audit will be conducted in compliance with normal and customary procedures and policies outlined by HUD.

Section 7 – a) For any FHA loan originated by Mortgage Broker and funded by Lender where the borrower fails to pay any of the first six (6) payments to Lender (or its successors or assigns) within sixty (60) days from such payment being due, Mortgage Broker shall, within thirty (30) days of Lender's written demand, pay to Lender an amount equal to all compensation paid to Mortgage Broker on the loan transaction from any source. For purposes of this section: any payment made on any loan by a person other than the borrower named on the note shall be ignored for purposes of determining whether a monthly payment is thirty (30) days or more delinquent.

b) For purposes of HECM/Reverse Mortgage loans, any loan that is substantially prepaid (20% or more of Unpaid Principal Balance) on or before one hundred twenty (120) days following the applicable Closing, Mortgage Broker agrees to pay Lender within thirty (30) days after the Broker is notified by Lender of the prepayment, an equal percentage of any premium paid for or in connection with such loan (e.g. for a loan in which the Borrower prepays 20% of the unpaid principal balance within one hundred twenty (120) days of Closing, the refunded premium shall be 20% of the premium). In addition to any other remedy otherwise available under the terms of this agreement, and at Lender's sole discretion, upon discovery of any evidence of misrepresentation of any material fact in the origination of a Loan funded by Lender, Lender shall notify Mortgage Broker of

such finding and Mortgage Broker shall have the opportunity to clarify, explain or otherwise cure such loan deficiency within the time prescribed by Lender, and to the full and complete subjective satisfaction of Lender. If, after receiving such notice, Mortgage Broker fails to so clarify, correct or otherwise cure such deficiency to the complete subjective satisfaction of Lender within the prescribed time, then Mortgage Broker shall, upon 30 days' written notice by Lender, purchase such deficient Loan from Lender.

c) For purposes of HECM/Reverse Mortgage loans where the qualifying borrower dies within one hundred twenty (120) days of the loan funding, Mortgage Broker shall, within ten (10) days of Lender's written demand, reimburse Lender for all fees, commissions and other compensation that Mortgage Broker received from Lender in connection with said loan, plus any premium ("Premium") and any amounts credited to Mortgage Broker, whether or not credited to Borrower.

Section 8 – Withdrawal of HUD Approval. Mortgage Broker agrees to promptly notify Lender in the event that a Loan Originator agreement entered into between Mortgage Broker and another Sponsor is terminated for any reason.

Section 9 – Agreement. This Addendum shall be deemed to supplement and, to the extent it is inconsistent with the Agreement, to modify the Agreement. The Agreement shall remain in full force and effect, the rights of the parties under this Addendum shall otherwise be governed by the Agreement and the terms and conditions thereof are incorporated herein by reference.

Section 10 – Termination. The termination of the Agreement shall automatically terminate this Addendum. This Addendum may, in addition, be terminated in writing at any time by either party upon ten (10) days prior written notice; provided, however, that in the event that Lender, in its sole discretion, deems Mortgage Broker to be in breach of any of the representations and warranties made herein, Lender may immediately terminate this Addendum without prior notice to Mortgage Broker. However, the termination of this Addendum shall not automatically terminate the Agreement. In the event of a termination of this Addendum, Lender and Mortgage Broker shall promptly notify HUD of such termination.

Section 11 – Assignment. Mortgage Broker may not assign this Addendum. Lender may assign this Addendum without the consent of, or prior notice to, Mortgage Broker.

Acknowledged and Agreed:

Authorized Representative of Mortgage Broker:

Entity's Legal Name:
EIN:
NMLS ID:

By: _____
Print Name: _____
Title: _____
Date: _____