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2004 - Summit Mortgage Corporation, Inc. is registered to conduct business as Summit Mortgage Corporation (DE, PA, SC, TN, WA, WV), Summit Home Mortgage, Inc. (NV, AZ, FL, NM, NC, OR), Summit Correspondent Lending (CA), Summit Home Mortgage (MD, MA), and SCL, Mortgage, Inc (TX).

Information contained herein is provided to assist real estate professionals and is not an advertisement to extend consumer credit as defined by Section 226.2 of Regulation Z.

100 - Closing Requirements

101 - Closing Conditions

All conditions of the loan approval must be satisfactorily cleared prior to loan funding.

102 - Closing by Summit

- All loans must be scheduled with Summit by emailing or faxing the Closing Schedule Sheet **Form Exhibit C01** to closings@summit-mortgage.com or Fax #(763) 390-7378
- An Insured Closing Protection Letter in Sellers name is required prior to closing from each Title Company/Closing Agent that Seller chooses to close with.
- Closing File Submission **Exhibit C02** lists the order of required documentation including:
 - Closing Transmittal **Form Exhibit C02**: Fees information completed by Seller
 - Funding Request form **Exhibit C02**: Sellers contact for ordering disbursement funds
- A closing package will be prepared upon completion of the requirements Closing Checklist

103 - Closing and Commitment Fees

Refer to **Exhibit S04** for fees, if applicable.

104 - HUD Approval and Disbursement Funds

- Interest Credits are given up to and including the 5th calendar day of the month
- Summit Closing Department faxes or email closing instructions to the processor and/or designated person when documents are drawn.
- Summit requires HUD-1 Approval prior to loan document signing.
- The HUD-1 will be forwarded on to your processor and or designated person for approval. Any changes must be done through Summit Closing to insure accurate information.
- Upon HUD-1 Approval, Summit Closing will fax the Funding Coversheet, Funding Request and HUD-1 to your funding department.

105 - File Process

- Documents are drawn by Summit in the name of the Bank Partner. Funds for disbursement are provided by Bank Partner and all fees collected on HUD-1 settlement statement are payable to Bank Partner.
- Upon disbursement date the closing agent will send Bank Partner a copy of the HUD-1 and all loan proceeds, and return the original closed loan document package directly to Summit.
- The Purchase Advice is provided at completion of the loan review process. (see **Section 200**)

106 - Requirements

The following closing requirements are applicable to all loans being sold to Purchaser. All loans will close in the name of the Seller. The mortgage loans must be marketable to designated investors in the secondary mortgage market and/or Purchaser. When situations arise where common sense or good business practices dictate deviation from these closing requirements, it is the Seller's responsibility to postpone the closing until a waiver can be obtained.

Sellers are responsible for full compliance with the Real Estate Settlement Procedures Act (RESPA), Federal Truth-in-Lending Law, and with supplying the correct information to comply with the Home Mortgage Disclosure Act (HMDA). Additional information on these regulations can be found in the Compliance Section of this manual.

Sellers will be responsible for the proper preparation and execution of all legal documents, closing statements, HUD-1 form, Truth-in-Lending form, and all other applicable exhibits on the Closed Loan Transmittal Form (Exhibit D01).

107 - Document Preparation

This section provides a detailed description of the documentation required for all loans. The documentation included may not be all of the requirements and Purchaser reserves the right to require additional documentation needed to enhance the file on a case by case basis. Please make certain that each document that is provided is complete and correct.

Sellers must use the most current FNMA & FHLMC forms that are correct for the jurisdiction, loan program and property type. Any mortgage loan that was originated or closed with unauthorized documents is not eligible for purchase.

108 - Mortgage Note

- Use correct form for program and state.
- The use of white-out or correcting typewriter strike-overs will not be accepted.
- Slashing out (/////) typographical errors in non-numerical areas with Borrower's initial will be accepted. Typographical errors in numerical areas will require preparation of a new Note. If a new Note must be prepared, the following verbiage is added to the corrected note: "This Note replaces the previous Note and does not represent a new obligation."
- The date must be consistent with the date on the Mortgage/Deed of Trust and HUD-1;
- The city, state and zip code where executed must be completed;
- Property address must agree with the Mortgage/Deed of Trust, Appraisal and HUD-1;
- The mortgage amount must be numerically and alphabetically correct and must be rounded down to the nearest dollar;
- The Seller's name must be correct;

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- The interest rate must be numerically and alphabetically correct;
- First payment and maturity date must be correct;
- The payment must be correct and a payment tolerance of \$.01 is allowed on all loans;
- Conventional loans have a late charge of 5% & Government loans have a late charge of 4% of the mortgage payment (principal and interest). This late charge will accrue on the 16th day of the month (or as required by state law).
- Borrower's names must be typed under their signatures. Borrower(s) must sign as their names are typed. Borrower(s) names must be consistent throughout the file. If there are any inconsistencies, a Name Affidavit is required.

Endorse Note as follows: PAY TO THE ORDER OF	
Summit Mortgage Corporation	
Without recourse	
Seller's	
Name:	(Full legal name)
By:	(Signature)
	(Typed name of authorized signer)
Its:	(Typed title of authorized signer)

- Type the name of your institution and the name & title of the officer endorsing the Note. Stamped signatures are not acceptable;
- The endorsement should be made on the last page of the original Note. Endorsements on Riders or Addenda are not acceptable.
- An allonge is acceptable. **See Exhibit**
- Canceled endorsements must be lined through or stamped over as "canceled" and initialed.
- Intervening endorsements, if applicable must be correct and must follow the chain of title.

109 - First Payment Date

All loans must be closed with the monthly payments coming due on the first day of each month. In other words, the first payment should be set so that the borrower, when making the first payment, will pay an entire month's interest. The first payment date cannot exceed sixty-one (61) days from the date of loan disbursement. The cutoff for collecting interest is the first of the month.

FOR EXAMPLE:

Closing Date: June 1st—the first payment is July 1st. The borrower would be paying the June interest with the July 1st payment.

Closing Date: June 2nd—the first payment is August 1st. The borrower would be paying interest from June 2nd to June 30th at closing. July's interest would be paid with the first payment on August 1st.

"Interest credits" are allowed and given at closing up to and including the 5th calendar day of each month for each product, with the exception of all FHA ARMs.

Per Diem interest is calculated by multiplying the mortgage amount by the interest rate and dividing by 360 days for conventional loans and 365 days for government loans.

110 - Mortgage /Deed of Trust/Security Instrument

- Use correct form for program and state;
- The use of white-out or correcting typewriter strike-overs will not be accepted. All corrections, additions & deletions must be initialed by all mortgagors;
- Slashing out (////) typographical errors in non-numerical areas with Borrower's initials will be accepted provided this is acceptable to County Recorder or Torrens Office. Typographical errors in numerical areas will require preparation of a new Mortgage/Deed of Trust.
- The date must be consistent with the date on the Note and HUD-1;
- Property address must agree with the Note, Appraisal and HUD-1;
- The mortgage amount must be numerically and alphabetically correct and must be rounded down to the nearest dollar;
- The Seller's name must be correct;
- The Maturity Date must match the Maturity Date on the Note
- The State and County where executed must be completed for the Notary Section;
- The notary section must be completely filled out and signed by the notary. The stamp/seal and expiration date is required. The date of the notary must be the same date as the security instrument.
- Borrower's names on Mortgage Deed/Deed of Trust must be identical to how they appear on the Note and Assignment. Marital status of borrowers should appear on page 1 and in the notary section (unless state law prohibits the inclusion of marital status). Borrower's typed names and signatures should be identical on all documents. If there are inconsistencies, a Name Affidavit is required.

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- Mortgage Deed must contain the signature of the spouse. Title Insurance is not considered an acceptable substitute for the spouse's signature. Lack of the spouse's signature poses an unacceptable risk during foreclosure proceedings. You are required to follow state law guidelines in situations of non-borrowing or non-purchasing spouses.
- Legal description must be exactly the same as the legal shown in the title insurance binder and/or final policy;
- Original security instrument must be recorded;
- All attached Riders must be referenced in the body of the Mortgage;

111 - Co Borrowers, Guarantors or Co-signers

111.01 - Community Property States

In community property states, as well as in some states with homestead laws such as Illinois, couples must both sign loan documents, even if not in title, to perfect the lien on the property. Currently, community property states are:

- Arizona
- California
- Idaho
- Louisiana
- Nevada
- New Mexico
- Texas
- Washington
- Wisconsin

111.02 - Married Individual Obtains a Loan as "sole and separate property"

When a married individual obtains a loan as "sole and separate property" in a community property or homestead state, the requirements are as follows:

- The non-borrowing spouse (hereafter, "spouse") MUST execute the security instrument (i.e., Mortgage, Deed of Trust, etc.).

The following recitation above the signature of the spouse is required:

- The Undersigned enters into the execution of this document solely for the purpose of perfecting Note Holder's security interest in subject property.
- The spouse MUST sign the Notice of Right to Cancel, TIL.
- The spouse does not need to execute the Note.

Even if there is a Quitclaim Deed from the spouse, if both parties reside in the property, these requirements will not be waived.

If a Quitclaim Deed was filed as part of a divorce settlement, and the divorce decree stipulates that our borrower retains ownership and occupancy, certified copies of the Quitclaim Deed and the divorce decree will be allowed in lieu of the spouse's signature.

111.03 - Who Signs What

The requirements governing which individuals execute specific legal documents depend on three factors: title to property, occupancy, and income utilized.

- Any/every individual whose income is utilized to qualify for the loan must sign the Note and all loan and legal documents.
- Any/every individual on title must sign the Mortgage (security instrument) and Notice of Right to Cancel, and Truth-in-Lending.
- If an individual resides in the property but is not on title and is not qualifying as a borrower, there is no need to sign any loan documents UNLESS that individual is the spouse of our borrower. In community property states and some homestead states, it is required that the spouse execute the Mortgage and disclosures as listed above, regardless of any pre-existing or concurrent Quitclaim Deed, with specific verbiage set forth above.

(See examples shown on next page...)

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Here are some examples	Note	Mortgage, TIL, and Right to Cancel
Community Property State *Lucy owns the property sole & separate *Husband Ricky is not on title. His income may or may not be used to qualify	Lucy only. Ricky must sign note if his income is used for qualification purposes.	Ricky and Lucy must execute the Mortgage & disclosures.
NON Community Property State *Lucy owns the property sole & separate *Husband Ricky is not on title. His income may or may not be used to qualify	Lucy only. Ricky must sign note if his income is used for qualification purposes.	Ricky does not need to execute any documents, although it would be preferable. Lucy must execute the Mortgage & disclosures

*Jerry and Elaine own the property; they're not married. *They are tenants in common. Each owns 50% interest. *Jerry wants our loan; only his income is used to qualify.	Jerry only.	Elaine and Jerry must execute the Mortgage & disclosures.
*Bob, Carol Ted & Alice all own the property, each couple = HW/JT as to their undivided ½ interest, all as tenants in common. *Bob & Carol want the loan. They are the only occupants, and only their income is used.	Bob & Carol only.	Ted, Alice, Bob and Carol must execute the Mortgage & disclosures as well as be on the title.
*Bob & Carol own the property. *Ted & Alice have no title interest, but reside in the property. They want to be co-signers despite not having ownership interest; so that their income is used to qualify. All four borrowers reside in the property as owner occupants.	Bob & Carol. Ted & Alice.	Ted & Alice's income can be used to qualify for the loan. Ted & Alice need not executed documents or be on title although it would be preferable Bob & Carol must execute the Mortgage & disclosures and be on the title.
*Lucy & Ricky are married, own and reside in the property, and both are qualifying.	Lucy & Ricky	Lucy & Ricky must sign everything.

112 - Inter Vivos Revocable Trusts

We will accept an *inter vivos* revocable trust as an eligible borrower for a conventional first mortgage that is secured by a one-family principal residence or a second home, as long as the eligibility criteria Exhibit U08 "certification for reviewing living trusts" have been met.

113 - MERS Requirements

Purchaser requires that all files be closed in MOM (MERS as Original Mortgagee) language or an Assignment to MERS must be filed.

MERS was created by the MBA, Fannie Mae, Freddie Mac and other members of the mortgage industry to eliminate the need for paper assignments. The MOM language is approved in all 50 states and is accepted by Fannie Mae, Freddie Mac, Ginnie Mae, FHA and VA.

By way of special software from MERS called MINGIN, a MIN ID number is generated that is put on the recorded document. This number will stay with the loan and be used for tracking purposes by MERS. The mortgagee will stay in the name of MERS, therefore eliminating the need of assignments. The loan is registered with MERS online within 10 days of disbursement. If the loan is sold in the future to a MERS member, the current lender will do an electronic transfer giving MERS the new servicing information, but once again the mortgagee will remain in the name of MERS.

The use of MERS will cut down the current delays in getting the recorded documents back and allows for current servicer information for the borrower without the need to retrieve county-recorded documents. Title companies will go directly to MERS to get the servicing information and to order payoffs. The payoff and satisfactions will be generated on behalf of MERS by the current servicer.

114 - Seller Is Not Currently A MERS Member

If you are a non-MERS member a NON-MERS mortgage must be used and an Assignment to MERS must be filed.: Purchaser will register the loan electronically with MERS using the MIN # Purchaser has assigned it with Summit Mortgage Corporation Ord ID # 1000619 as the new Investor and Servicer within 10 days of loan disbursement.

115 - Seller Is Currently A MERS Member

If you are a MERS member: Purchaser will register the loan electronically with MERS using the MIN # Purchaser has assigned it with Summit Mortgage Corporation Ord ID # 1000619 as the new Investor and Servicer within 10 days of loan disbursement.

116 - MOM (MERS as Original Mortgagee) Loan

- Loan must close with mortgages where MERS acts as the original mortgagee via the security instrument. This is accomplished by special verbiage printed on the security instrument containing MOM (MERS as Original Mortgagee) language. An assignment of mortgage is not needed.
- See Exhibit D07 for a sample of the MOM Language.

The following are the requirements for preparing the Security Instruments for a MOM Loan:

- MERS must be named as nominee for the lender as outlined in Appendix B of the MERS Integration Handbook.
- The MIN must be placed to the right of or below the form title, but not within the top recording margin or on the right side margin of the security instrument, unless such placement is not in compliance with the recording jurisdiction's requirements. The MERS VRU# (888-670-MERS) must be included with the MERS, Inc. address when listing MERS as the Mortgagee of Record on the Security Instrument.

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- Seller must include in the Security Instrument all language specified by Fannie Mae and Freddie Mac for each state in which the related Mortgaged Property is located. Such language should be obtained from the MERS Corporate Office.
- See General Mortgage/Deed of Trust/Security Instrument Topic in above section.

117 - Refinances

- Each person who has an ownership interest in the dwelling shall be given a copy of the final Truth in Lending disclosure and two copies of the "Notice of Right to Cancel".
- The borrower(s) must sign the Right to Cancel form to acknowledge its receipt on the Closing Date.
- Completed signed originals of the rescission form must be included in the Closed Loan Package.
- Interim interest must be collected from the Funding Date. First payments must be set from Funding Date.
- In refinance transactions, each person who has an ownership interest in the dwelling shall be given a copy of the final Truth in Lending disclosure and two copies of the "Notice of Right to Cancel".
- Funds shall not be disbursed prior to the expiration of the rescission period on rescindable transactions. The rescission period expires at midnight of the third business day after the last to occur of the following:
 1. The date of the transaction;
 2. The date the customer received their TIL disclosures, or
 3. The date they received their Notice of Right to Cancel.

A "business day" is defined as all calendar days except Sunday and Federal holidays (or any day in which mail is delivered). [See Exhibit S01.](#)

118 - Power of Attorney

Power of attorney is permitted as long as the following conditions are satisfied:

- Must meet applicable state requirements;
- Must be on acceptable recordable form;
- Must be specific to the transaction;
- Must be recorded in the same county as the mortgage;
- Depending upon how power of attorney document drafted, there may be an expiration date. If so, power of attorney is invalid if already expired when loan closes;
- Title Company must insure a valid power of attorney, and that Seller has a valid first lien position before funds are disbursed;
- Final title policy must not contain any exceptions based on the use of a power of attorney;
- Any defect regarding the power of attorney would be considered a defect in a "core document" and would result in a withholding of the wire transfer until this defect is corrected;

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- The person being appointed with the Power of Attorney is “Attorney in Fact” and must sign the closing documents as follows:

Jane Doe by John Doe, Her Attorney-in Fact The signature can also be shown as: “John Doe, Attorney-in Fact for Jane Doe”. The signatures must be legally acceptable according to state guidelines and must clearly show the signer to be the one authorized to sign for the borrower.

119 - Notice to Mortgagor Regarding Actual Transfer of Servicing

The Notice to Mortgagor advising the borrower of the actual transfer of servicing must contain the required RESPA information. The Cranston Gonzales Act requires the borrowers to receive notification at least fifteen (15) days prior to the effective date of the transfer. Purchaser suggests using the Notice of Assignment, Sale or Transfer of Servicing Rights form (Exhibit D05) when notifying the borrowers that the loan has been sold to Purchaser. Any equivalent type of servicing transfer letter is acceptable as long as it has all of the required information.

120 - W-9 Tax ID Certification

The tax identification number is required on all Borrowers in a transaction. The form must be completed with the borrower(s) name, mailing address, and Social Security number. Each W-9 form must be signed and dated.

121 - Correction Agreement Limited Power of Attorney

The Correction Agreement Limited Power of Attorney is a form Purchaser provides at closing as an option to the borrower. It allows the Seller or Purchaser to make any necessary changes to clerical errors on behalf of the borrower. [See Exhibit D02.](#)

122 - New Construction Tax Bill Important Notice

The Important Notice RE: New Construction Tax Bill is a form Purchaser provides to borrowers on New Construction Loans at closing. This form provides them additional information regarding the Lot Tax for escrows and the change that occurs once the property is fully assessed. See Exhibit D03.

123 - Escrows

All government loans require escrows. All conventional loans require escrows, but with LTVs less than 80% may request a waiver of escrows for a fee.

124 - Aggregate Escrows

The “Aggregate Method” of calculation must be used for establishing escrow accounts. It is defined as the accounting method a Seller or bank uses in computing the adequacy of the escrow account funds by analyzing the account as a whole. Sellers are responsible for collecting the correct amount for the escrow account at closing. If the funds collected at closing are insufficient, the Seller is required to correct the shortage in addition to providing the borrower with a re-disclosed initial escrow account statement.

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The Aggregate Accounting Adjustment reflected on lines 1006 - 1008 of the HUD-1 must always be a negative number (credit) or zero (0). If your calculations result in a positive number (greater than zero), you should re-check your calculations. However, if your calculations are correct, you can only reflect a zero (0) for the Aggregate Accounting Adjustment on the HUD-1 as the regulation does not permit a positive (charge) on the HUD-1. You cannot collect the positive (charge) Aggregate Accounting Adjustment shown in your calculation.

125 - Waiving Escrows

If escrow for taxes and insurance are waived, an Escrow Waiver Agreement (Exhibit 016) must be completed and executed by borrowers and Seller at closing. Refer to Section 2, Pricing and Registration for fees.

126 - Taxes

126.01 - Tax Information

Sellers will be responsible for collection of the appropriate amount of taxes and insurance. A cushion of 2 months must be collected for the escrow account.

Property taxes must be paid through the current tax payment period at time of loan closing. Taxes for the subsequent period must be paid, particularly if they become due within 60 days of loan closing. The date through which taxes are paid should always agree with exceptions for taxes in the title policy. Under no circumstances should the title policy take exception to taxes other than those that are not yet due and payable. Postponed or deferred taxes are not acceptable.

Collect enough escrows to insure that there are sufficient funds to pay the taxes when due and have a 2 month cushion. Any non-homestead portion of taxes contributed by property seller will be held in the escrow account.

If taxes are due within 60 days of loan closing date, the full amount of taxes due must be collected and paid at closing. If the tax statement is not yet available, Seller should collect sufficient funds at closing and hold until tax statement is available. Seller must then pay taxes and provide a photocopy of the receipt for payment of taxes in the Final Loan Package.

All levied special assessments must be paid in full, unless specifically waived.

The title company closer must collect and hold escrow for all pending assessments (unless specifically waived).

Please provide a photocopy of the most recent tax bill.

If New Construction with Lot Tax only use **Exhibit D03**. *(Topic continued on next page...)*

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126.02 - Tax ID Number

If the Tax ID number is subject to change because the property has been subdivided or is a new construction and an individual number has not yet been assigned, Seller must send a letter of explanation along with the Closed Loan Package. If taxes are due within 60 days of closing, taxes must be paid to the tax authority and a tax receipt must be provided.

127 - Hazard Insurance Requirements

An insurance policy or binder (if a binder state) is required with a paid receipt for one year's coverage.

The information listed below reflects the specific requirements regarding proper hazard insurance documentation. The Seller must submit proof of insurance that meets the following:

127.01 - Accurate Borrower & Property Information:

- Name(s) of Borrower(s) agree with Note;
- Property address agrees with Note/Security Instrument;
- Mailing address is same as property address except on second homes and investment properties, which should then agree with home address shown on loan application.

Amount of dwelling coverage must be equal to or greater than the lesser of (subject to applicable state law restrictions):

- 100% of the insurable value of the improvements on the mortgaged property (appraised value minus land value indicated on the appraisal); or
- The unpaid principal balance of the Note.
- If the amount of coverage is less than the above requirements, the policy must include evidence of guaranteed replacement cost coverage. A coverage amount less than the minimum amount necessary to fully compensate for any loss or damage on a replacement cost basis is not acceptable.
- Policies insuring items such as dwelling and cars, boats, etc. are not acceptable; however, riders for additional coverage for furs, jewels, etc., will be accepted.

Evidence of insurance may be provided by the Seller in one of the following forms:

- Declarations Page;
- Certificate of Insurance;
- Insurance Binder.
- For properties in an association such as a townhouse or condominium there is customarily a Master Policy with Certificates issued to each Borrower. This will be acceptable as evidence of insurance.

Evidence of premium payment may be provided by the Seller submitting one of the following items:

- Paid receipt for the premium amount or reflected on the policy/binder as paid; or
- HUD-1 Settlement Statement indicating collection of premium amount reflected on policy.

Deductible amount can not exceed the higher of (subject to applicable state law);

- 1% of the policy face amount; or
- \$1,000.00
- All insurance companies are to be rated by BEST's Key Rating Guide no less than "B3" with a financial performance of a "6" or better to be acceptable.

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Refinance loans: If the premium is due within 60 days of purchase, the Seller will be responsible for paying the premium and providing proof of payment. The required amount of hazard insurance escrow will be deducted from the total wire amount to insure sufficient funds to pay the premium when due. The Seller is responsible for collecting any shortage from the borrowers.

NOTE: On refinance loans, borrowers generally will already have a hazard policy in force. Purchaser will require a total of 12 months escrow plus allowable cushion with the payment preceding the month the premium is due. (Example: 1st payment date is 04/01/00 & premium is due 10/05/00. Seller needs to collect enough months at closing so Purchaser has 12 months plus the allowable cushion with the 09/01/00 payment. Collect 8 months at closing).

Loss payable clause must read as follows:

**Summit Mortgage Corporation
Its Successor and/or Assigns**

Loan# _____
13355 10th Ave. North, Suite 100
Plymouth, MN 55441

128 - Flood Insurance

- Flood Zones A and V requires flood insurance;
- The borrower(s) name(s) and property address must be reflected on the Flood Insurance Application;
- Coverage equal to the loan amount or the maximum available under the National Flood Insurance Program is required;
- The insurance company must be rated "A" with a financial performance of "6" in the BEST Key Rating Guide, with deductible of not more than \$1000 or 1% of the amount of coverage for a single family dwelling (whichever is less);

Evidence the policy has been paid for the first year and that the Loss Payee clause is:

**Summit Mortgage Corporation
Its Successors and/or Assigns
13355 10th Ave. North, Suite 100
Plymouth, MN 55441**

Acceptable evidence of payment of Flood Insurance is one of the following:

- Policy stating premium is paid in full;
- Canceled check (copy of front and back);
- Paid receipt from insurance agent or insurance co;
- Payment is deducted on the HUD-1.

129 - Flood Certification

Sellers must provide a Flood Certification including Life of Loan coverage from First American Flood Data Services Inc. (FDSI). If the Seller does not use FDSI for Life of Loan, a \$10.00 fee will be charged for each loan at the time of funding. The FDSI toll free number is (800) 447-1772.

130 - Private Mortgage Insurance

Private mortgage insurance is required on all loans with loan-to-value ratios in excess of 80% LTV unless the product is designated as a "No MI" product. Below are instructions for MI funds collected at closing and disbursement of funds after closing.

131 - Mortgagee Clause:

Summit Mortgage Corporation
Its successors and/or assigns

Loan # _____
13355 10th Ave. North, Suite 100
Plymouth, MN 55441

Premium Type	Amount Collected at Closing
Monthly	Collect 1 Month premium
Monthly-Zero Upfront	Collect 0 Month premium
Level Annual	Collect 1 st Year premium
Upfront Single	Full premium—this is a one-time premium

132 - Title Insurance Requirements

A title insurance policy issued by an American Land Title Association Title Company (ALTA) specially authorized by law or license to do business within the state where the property is located is acceptable. Title Insurance Companies must be acceptable to all secondary market investors in order to be eligible title insurers for loans bought by Purchaser.

133 - Final Title Policy

If the final title policy has not been issued at the time your Closed Mortgage Loan Package is delivered, a title binder will be acceptable. Your final title insurance policy must contain the following:

- Insured party cited in Schedule A as: Summit Mortgage Corporation, its successors and/or assigns;
- Purchaser must hold a valid first lien position on first mortgages or a valid second lien position on second mortgages;
- The effective date of the policy must be the same as or later than the recording date of the security instrument unless the policy is a master policy or a short form policy;
- The complete legal description must be shown including lot, block, addition, city, county and state;
- The complete Tax Identification Number and amount of taxes must be shown unless the policy is a master policy or short form. (Some states may not show the amount of taxes);
- Title insurance coverage must be for at least the loan amount.
- Names of the mortgagor(s) must be consistent with those on the security instrument;

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- All titles must be held as Fee Simple;
- The mortgagor(s) and Mortgagee/beneficiary names, loan amount and date, recording information and recording state entered in Schedule A should be checked against the security instrument. The following is a sample entry containing all required information:
- Mortgage from John Doe and Jane Doe, husband and wife, to Summit Mortgage Corporation, its Successors and/or Assigns dated January 20, 2000, and recorded January 25, 2000 in Book No. 451, Page 3544, as Document No. 1242534, in the amount of \$450,000.00.
- NOTE: If the security instrument has been re-recorded, the security instrument description must show the re-recording information.
- If a Borrower's spouse has not signed the security agreement, the title insurance policy must affirmatively state that the lien of the mortgage described on Schedule A of the policy is not affected by the absence of the spouse's signature. If it is clearly stated on the face of the mortgage that "This is a Purchase Money Mortgage", it is acceptable on a purchase transaction not to have a married borrower's spouse sign the mortgage as long as the borrower's spouse was not an applicant and was not considered in the underwriting of the file. State Law Guidelines must be followed to account for spousal interest.
- Real Estate Taxes: Real estate taxes must be followed by the statement, "Taxes that are not yet due and payable". Outstanding special assessments cited must be followed by the statement, "Special assessment hereafter levied. Note: There are no pending assessments now a lien".
- Wisconsin Only: When Purchaser is not escrowing for taxes and the borrower wants to pay on installment, Seller must request the title company to issue the following statement in order to be salable in the secondary market: "First Installment has been paid and is now current. Second installment due July 31, 2000.
- Restrictions, Covenants and Conditions: Restrictions, covenants and conditions cited must be followed by the statement, "which have not been violated to date. Any future violations will not result in forfeiture or reversion of title".
- Restrictions, covenants and conditions cited that have been violated must be followed by the statements, "This policy insures against all losses or damage by reason of this violation. This policy insures that neither said violation nor any future violation will result in forfeiture or reversion of title."

The following exceptions **will not** be allowed on final title policies:

- Rights of Tenants in Possession.
- **Easements or claims of easements not shown of public record.**
- Right of first refusal.
- Exceptions for dower or courtesy rights.
- Fraudulent Conveyances.
- Liens (except taxes not yet due and payable). Exceptions which state anything as to matters of survey. (Examples: discrepancies, conflicts, shortages in area or boundary lines, encroachments or any overlapping of improvements which an accurate survey of the premises would disclose).

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- Exceptions which state “possible” or “if any” must be specified or deleted.
- Rights of others in and to the use of the secured property.

A plat drawing/survey/”Mortgage Inspection Report” must be included in the closed loan package. The correct dimensions of the lot, the locations of any improvements, the measurement from the improvements to the various lot lines, and the location and identity of all easements and encroachments must be identified and illustrated on the drawing. All permanent structures must be identified (such as house, garage, storage, etc.). The location of easements (east side, west side, etc.) must be described in the Title Policy.

Surveys are acceptable up to six months old.

If a Location Endorsement ALTA 116 is not customary to the state and no plat/survey is available, then survey exceptions cannot be noted on the title commitment/final policy.

134 - Title Policy Required Endorsements

Purchaser requires the following endorsements to the final title policy:

- All loans require the Comprehensive Endorsement 100 or ALTA 9;
- All loans require the Environmental Protection Lien Endorsement (ALTA 8.1);
- All Adjustable Rate Mortgages (ARMs) require the ARM/Variable Rate Endorsement (ALTA 6);
- All properties located in a condominium project require the Condominium Endorsement (ALTA 4);
- All properties located in a Planned Unit Development (PUD) require the PUD Endorsement (ALTA 5);
- All manufactured homes require ALTA 7 endorsement.

135 - General Title Waivers

- Title to the mortgaged property must be free and clear of all exceptions that would affect Purchaser’s first lien position in any way. Schedule B, Part I of the title binder and final title policy list title exceptions that the title company is not providing coverage for. Before closing, Sellers must determine what action, if any, should be taken to protect Purchaser’s interests in the case of each such exception appearing on Schedule B, Part I.
- The title insurance industry is in the business of insuring over the title to property, not over its value. If the defect in question has a potential effect on the chain of title, the title company should insure over it on the final title policy, either by specific wording on Schedule B, or by endorsement. Examples of such defects are those referred to as “Covenants”, “Conditions”, “Restriction”, “Declarations”, “Agreements”, “By-laws”, etc., which might cause the forfeiture or reversion of title if they were violated.
- If the defect in question has the potential for an adverse effect on the use and enjoyment of the improvements, resulting in an adverse effect on the value of the property as a whole, a specific waiver should be requested from the appraiser who completed the appraisal, prior to closing the loan.

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- Examples of defects are easements, rights of way, and encroachments, which are not covered by the General Title Waivers.

136 - Affidavit of Common Identity

- Must be used. Whenever there is a substantial discrepancy in the names or signatures of any borrower that is of record, a notarized and recorded Affidavit of Identity is required. For example, if “Barb” is on the Warranty Deed and “Barbara” is on the Mortgage/Deed of Trust.
- Other discrepancies that are not of record can be resolved by using a notarized Affidavit of Identity (this does not have to be recorded).
- Affidavit of Identity can not be used to correct discrepancies in borrower’s names which result from errors in final document preparation. These documents must be corrected and the document re-recorded.
- Acceptable Witnesses. The affidavit cannot be signed by the person whose identity is in question. It must be signed by someone else who can swear to that person’s identity.
- Use of Copies. A copy of the affidavit is permissible in the Final Package if the original is not available. In cases where the affidavit has been recorded, the copy must show all recording information.

200 - Purchase Funding

201 - Closed Loan Funding

- Upon specific approval, Seller may close for specific programs. Seller then closes the mortgage loan per the requirements outlined in the Closing Section of the Guide, provides funds for disbursement and delivers a purchasable closed loan to Summit.
- Interest credits are allowed up to and including the 5th calendar day of the month for all product types.
- Purchaser must be in receipt of a complete closed loan package by commitment expiration date. If that date falls on a weekend or holiday, the loan file will be due on the next business day. Additional information regarding a late delivery can be found on [Exhibit S05](#).

202 - File Deliver

- Purchaser must be in receipt of a complete closed loan package by commitment expiration date. If that date falls on a weekend or holiday, the loan file will be due on the next business day. Additional information regarding a late delivery can be found on [Exhibit S05](#).
- Documents must be delivered in Acco Fastened files in the order described on the Closed Loan Transmittal Exhibit D01 Delivery Address:

Summit Mortgage Corporation
Attention: Bank Partner / Closed Loan Delivery
13355 10th Ave. N. Suite 100
Plymouth, MN 55441

211 - File Review

The entire file will be reviewed. In cases where a deficiency is detected, Purchaser will fax the Seller a written notice listing the deficiencies. These deficiencies must be cleared resulting in a "fundable" loan within seven (7) calendar days from initial notice. Additional information regarding late deficiencies can be found on Exhibit S05.

212 - Purchase Advice

At the time a loan is determined to be acceptable for funding, a funding breakdown form will be prepared and faxed to the Seller. The funds will be wired to Seller the next day.

Interest paid-to-date will be calculated on a 360 day calendar year for conventional loans and a 365 day calendar year for government loans.

Any loan bought by Purchaser will fund at the full loan amount. It is the responsibility of the Seller to instruct their borrowers to make their first payment payable to Purchaser and send it to the following address: See Exhibit 019 for sample letter and coupons.

Summit Mortgage Corporation
Attention: Payment Department
13355 10th Ave. North, Suite 100
Plymouth, MN 55441

Phone Number (866) 666-0667

213 - Final Documentation

Final Documents must be delivered within 90 days of the date of purchase. If Purchaser determines that appropriate actions are not being taken to satisfy these requirements, loans with document(s) outstanding greater than 150 days from the date of purchase may be assessed a penalty. Additional information regarding a late penalty can be found on Exhibit S05.

The following documents must be received within the above noted 90 days:

- Title Policy;
- Recorded Mortgage/Deed of Trust or applicable security instrument;
- Recorded Assignment of Mortgage if closed prior to July 1, 2004;
- Recorded Power of Attorney (if applicable).

All follow-up documentation must be forwarded with the Final Doc Cover sheet (Exhibit D09) to the following address:

Summit Mortgage Corporation
Attention: Final Doc's
13355 10th Ave. North, Suite 100
Plymouth, MN 55441

214 - Repurchase Price

The repurchase price for any Mortgage Loan the Seller is required to repurchase will equal the unpaid balance of the Mortgage Loan plus accrued interest through the date of repurchase, any premium pricing and the service release premium. Also included will be the costs and expenses (including attorney's fees) incurred by Purchaser in connection with the repurchase. Seller agrees to repurchase any such loan within thirty (30) days of such request.

215 - Right of Offset

Purchaser shall have the right to deduct any penalties, fees, taxes, or other charges or obligations of any kind owed by Seller to Purchaser from the amount to be paid for any loan purchased from Seller. In addition, Purchaser is authorized by Seller to directly charge or charge through the automated clearing house (ACH) the Settlement Account for such amounts.