



**Reverse Mortgage Seller and Underwriting  
Guide  
(Updated as of 07/31/2023)**

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## 1.0 Sun West Contact Information

If you need assistance, please contact us at:

Phone: (800) 453-7884

Fax: (562) 924-6057

<b>Contact Information</b>	
For Queries on: <ul style="list-style-type: none"> <li>▪ Underwriting</li> </ul>	Contact your Underwriter Relationship Manager (UW RM) mentioned in your loan approval for loan related queries. You may also call (800) 453-7884 and ask to speak to the UW RM.
For Queries on: <ul style="list-style-type: none"> <li>▪ Locking a Reverse Mortgage Loan</li> </ul>	Contact the Lock Desk: <ul style="list-style-type: none"> <li>▪ Email: locks@swmc.com</li> <li>▪ Phone: (844) 562-5337 Ext: 7620</li> <li>▪ Fax: (562) 252-4865</li> <li>▪</li> </ul>
For Queries on: <ul style="list-style-type: none"> <li>▪ Loan Documents for Signing</li> </ul>	Contact Doc Drawing: <ul style="list-style-type: none"> <li>▪ Email: docdrawing@swmc.com</li> <li>▪ Phone: (562) 366-8862</li> <li>▪ Fax: (206) 222-2296</li> </ul>
For Queries on: <ul style="list-style-type: none"> <li>▪ Funding</li> </ul>	Contact Funding: <ul style="list-style-type: none"> <li>▪ Email: diana.morales@swmc.com</li> <li>▪ Phone: (951) 666-4990 Extn: 7568</li> <li>▪ Fax: 866-835-8553</li> </ul>
For Queries on: <ul style="list-style-type: none"> <li>▪ Servicing</li> </ul>	Contact Servicing: <ul style="list-style-type: none"> <li>▪ Email: reverseservicing@swmc.com</li> <li>▪ Phone: (800) 453-7884</li> <li>▪ Fax: (562) 403-0422</li> </ul>
For Queries on: <ul style="list-style-type: none"> <li>▪ Accounting</li> </ul>	Contact Finance: <ul style="list-style-type: none"> <li>▪ Email: suzy@swmc.com</li> <li>▪ Phone: (800) 453-7884</li> <li>▪ Fax: (206) 202 2472</li> </ul>
For Queries on: <ul style="list-style-type: none"> <li>▪ Post Closing / Trailing Documents</li> </ul>	Contact Jamie Krenek: <ul style="list-style-type: none"> <li>▪ Email: jamie.krenek@swmc.com</li> <li>▪ Phone: (800) 453-7884 Extn: 7425</li> <li>▪ Fax: (562) 252-4774</li> </ul>

## 2.0 Representations and Warranties

With respect to each closed Mortgage Loan sold to SWMC, the seller provides these additional representations, warranties and covenants, which are cumulative and not exclusive and are given in addition to any and all other representations, warranties, and covenants given by the seller to SWMC in the applicable agreement between SWMC and the seller ("Agreement"). Capitalized terms that are not defined in the Guides shall have the meaning ascribed to such terms in the Agreement.

### 2.1 *Definitions governing representations and warranties as to closed loans*

"Accepted Servicing Practices" means, with respect to any Mortgage Loan, those mortgage servicing practices of prudent mortgage lending institutions which service mortgage loans of the same type as such Mortgage Loan in the jurisdiction where the related mortgaged property is located, and which are in accordance with Fannie Mae servicing practices and procedures, as defined in the Fannie Mae servicing guidelines (including future updates) and as set forth in the Guides.

"Applicable Law" means all federal, state, and local statutes, regulations, and agency guidelines or handbooks, as amended from time to time, that relate to the solicitation, preparation, processing, origination, or servicing of loan applications or mortgage loans, including, but not limited to, the following: Consumer Credit Protection Act, all applicable predatory and abusive lending laws, the Truth-In-Lending Act (TILA), the Equal Credit Opportunity Act, Home Mortgage Disclosure Act, Civil Rights Act of 1968, the Fair Housing Act, the Real Estate Settlement Procedures Act (RESPA), Fair Credit Reporting Act, the Flood Disaster Protection Act and the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), the Financial Services Modernization Act (Gramm-Leach-Bliley Act), the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the Home Ownership and Equity Protection Act of 1994 (HOEPA).

"Escrow Payments" means, with respect to any Mortgage Loan, the amounts constituting ground rents, taxes, assessments, water rates, sewer rents, municipal charges, mortgage insurance premiums, fire and hazard insurance premiums, condominium charges, and any other payments required to be escrowed by the borrower with the mortgagee pursuant to the Mortgage or any other document.

"FHA Policy" means the contract of insurance administered by the FHA with respect to mortgage loans in accordance with the FHA regulations and other HUD publications relating to mortgage loans, including, without limitation, related handbooks, circulars, notices and mortgagee letters.

"Flood Zone Service Contract" means a transferable contract maintained for the mortgaged property with a nationally recognized flood zone service provider for the purpose of obtaining the current flood zone status relating to such mortgaged property.

"Fund" or "Funding" means SWMC's purchase of a Mortgage Loan.

"Guides" mean and include SWMC's forward and reverse mortgage seller and underwriting guides, SWMC's product manual, lender alerts, and all other materials, including without limitation, product profiles, underwriting standards, loan commitments, closing instructions, other communications, overlays, announcements or guidelines published by SWMC on its website or provided to the seller from time to time, as amended and supplemented.

"Maturity Event" means, with respect to each Mortgage Loan, an event set forth in the related note, the occurrence of which will cause the principal balance of such Mortgage Loan to become immediately due and payable.

"Mortgage" means a mortgage, assignment of rents, security agreement and fixture filing, or deed of trust, assignment of rents, security agreement and fixture filing, deed to secure debt, assignment

of rents, security agreement and fixture filing, or similar instrument creating and evidencing a lien on real property and other property and rights incidental thereto.

“Mortgage Loan” means a mortgage loan sold to SWMC under the Agreement, evidenced by a promissory note and secured by a Mortgage and includes all mortgage loan documentation, monthly payments, principal payments, insurance proceeds, and all other rights, benefits, proceeds, and obligations arising from or in connection with the Mortgage Loan, including, without limitation, servicing rights.

“Tax Service Contract” means a transferable contract maintained for the mortgaged property with a tax service provider for the purpose of obtaining current information from local taxing authorities relating to such mortgaged property.

## **2.2 Representations and Warranties**

1. **LOAN ELIGIBILITY.** The Mortgage Loan meets the applicable terms, criteria and requirements set forth in the Guides and the Agreement.

2. **COMPLIANCE WITH GUIDES AND APPLICABLE LAW.** The Mortgage Loan strictly complies with, and has been originated, processed, closed, and Funded in accordance with the Guides, Applicable Law, the guidelines of the Insuring Agency, SWMC’s instructions, and FHA, HUD, VA, USDA-RD, Freddie Mac, Fannie Mae, or Investor guidelines. Credit information for every Loan Application is in accordance with the standards of the Guides.

3. **NO ADVERSE ORIGINATION CIRCUMSTANCES.** The origination practices used by seller and any other originator and servicer with respect to the Mortgage Loan have been in all respects legal, proper, prudent and customary in the mortgage industry. There are no circumstances involving the Mortgage Loan documents, the mortgaged property, or the borrower’s credit standing that could (i) cause private institutional investors to regard the Mortgage Loan as an unacceptable investment, (ii) cause the Mortgage Loan to become delinquent, or (iii) adversely affect the value or marketability of the mortgaged property or the Mortgage Loan.

4. **UNDERWRITING GUIDELINES.** The Mortgage Loan has been underwritten to SWMC’s underwriting guidelines, including all supplements or amendments thereto.

5. **LOAN PROVISIONS.**

The provisions of the Mortgage Loan have not been impaired, waived, altered or modified in any respect, unless approved in writing by SWMC, and, to the extent required, by the issuer of any related PMI policy and title policy. No borrower has been released from its obligations under the Mortgage Loan except in connection with an assumption agreement that is part of the mortgage documents and complies with the requirements of the Guides.

The Mortgage has not been satisfied, canceled or subordinated, in whole or in part, or rescinded, 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.

No person involved in the origination of the Mortgage Loan has entered into any agreement, formal or informal, including an agreement to refinance the Mortgage Loan as an inducement to enter into the Mortgage Loan.

The Mortgage Loan documents have been duly executed by the borrower, acknowledged and recorded.

All parties to the promissory note and Mortgage had legal capacity to enter into the Mortgage Loan and to execute and deliver the promissory note and Mortgage.

The promissory note, Mortgage, and if applicable, the HECM agreement, constitute the entire agreement between the borrower and the beneficiary/mortgagee, and there is no verbal understanding or written modification which would affect the terms of such note, Mortgage, or HECM agreement except by written instrument delivered and expressly made known to the beneficiary/mortgagee and recorded if recording is necessary to protect the interests of the beneficiary/mortgagee.

Interest on each Mortgage Loan is calculated on the basis of a 360 day year consisting of twelve 30 day months, interest calculated on any unscheduled/scheduled payments or advances made to the related borrower in accordance with the related promissory note is calculated on the basis of the actual number of days elapsed in the relevant period and a year of 365 days. The Mortgage Loan is not a simple interest Mortgage Loan.

The note is not and has not been secured by any collateral except the lien of the corresponding Mortgage on the mortgage property.

No adjustable rate Mortgage Loan includes an option to convert to a fixed rate mortgage loan.

The loan to value ratio of any first lien Mortgage Loan at origination was not in excess of the maximum loan to value ratio permitted by the FHA regulations. With respect to each second lien Mortgage Loan, the related first lien does not provide for negative amortization. Notwithstanding the foregoing, with respect to any second lien mortgage loan, the combined loan to value ratio of such first lien and second lien mortgage loan does not exceed 100%.

Each Mortgage Loan constitutes a "qualified mortgage" under Section 860G(a)(3)(A) of the Code and Treasury Regulation Section 1.860G 2(a)(1).

With respect to each Mortgage Loan that is a HECM, each borrower or other required party has received counseling from a HUD approved housing counseling agency in accordance with FHA regulations and has received a counseling certificate, a copy of which is included in the loan file.

All fees, points and charges, including finance charges (whether or not financed, assessed, collected or to be collected), in connection with the origination and servicing of any Mortgage Loan were incurred after the borrower received the counseling certificate and fully disclosed in writing to the related borrower in accordance with applicable state and federal law and regulation; and, with respect to any HECM Loan, in accordance with FHA regulations.

6. **ARBITRATION.** The Mortgage Loan does not require the borrower to submit to arbitration to resolve any dispute arising out of or relating in any way to the loan transaction.

7. **CREDIT INSURANCE.** The Mortgage Loan does not require the borrower to pay for a single-premium credit insurance policy, regardless of whether the premium is paid directly by the borrower or paid indirectly by financing the premium/fee into the mortgage amount. This prohibition includes mortgage insurance with credit insurance features where a single premium for the credit insurance is paid by the borrower either directly or indirectly by rolling the credit insurance single premium into the cost of the mortgage insurance, regardless of whether or not it is identified as including a credit insurance premium. Insurance premiums calculated and paid on a monthly basis are not prohibited. Disclosures for the credit insurance policies are written in clear and simple terms and were provided to the borrower in advance of the purchase of the applicable policy.

8. **DEBT CANCELLATION.** The Mortgage Loan does not include a debt cancellation agreement.

9. **INCREASED INTEREST RATE UPON DEFAULT.** The Mortgage Loan does not include language permitting an increase in the interest rate after default.

10. **NEGATIVE AMORTIZATION.** Except as otherwise permitted by the Guides, the Mortgage Loan does not provide for deferred interest or negative amortization.
11. **ACCELERATION.** The Mortgage contains a customary provision for the acceleration of the payment of the unpaid principal balance of the Mortgage Loan in the event the mortgaged property is sold without the prior consent of the mortgagee.
12. **BUYDOWN.** The Mortgage Loan does not contain "graduated payment" or "buydown" features.
13. **REMIC.** The Mortgage Loan constitutes a qualified Mortgage under the Real Estate Mortgage Investment Company (REMIC) Act as defined in Section 860G(a)(3)(A) and Treasury Regulations Section 1.860G-2(a)(1).
14. **SECURITY INSTRUMENT.** 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: (i) in the case of a Mortgage designated as a deed of trust, by trustee's sale, and (ii) otherwise by judicial foreclosure or summary foreclosure if available. There is no homestead or other exemption available to the borrower that would interfere with the right to sell the mortgaged property at a trustee's sale or the right to foreclose the Mortgage, subject in each case to applicable federal and state laws and judicial precedents with respect to bankruptcy and right of redemption. If the Mortgage constitutes a deed of trust, a trustee, authorized and duly qualified if required under applicable law to act as such, has been properly designated and currently so serves and is named in the Mortgage, and there are no fees due the trustee.
15. **LOAN DOCUMENTS.** No action has been taken or failed to be taken by any party involved in the origination, servicing, assignment or sale of the Mortgage Loan that would affect the validity or enforceability of the Mortgage Loan or the interests therein. All Mortgage Loan documents are genuine, have been completed, duly and properly executed, are in recordable form (if recording is required) and have been delivered in the form and manner specified in the Guides, and the Mortgage Loan is the borrower's legal, valid and binding obligation enforceable in accordance with its terms. All originals and copies of such documents, materials, and other information required to be submitted to SWMC have been so submitted, and are complete and accurate. The promissory note and Mortgage are on forms acceptable to the FHA and Fannie Mae.

With respect to each Mortgage Loan, each promissory note and Mortgage are in a form that is in compliance with the FHA regulations and all applicable laws and regulations.

16. **LOAN FILE – HECM.** With respect to any Mortgage Loan that is a HECM: (a) the related promissory note and Mortgage are in a form that is in compliance with the FHA regulations and all applicable laws and regulations; and (b) the loan file for the Mortgage Loan contains, at a minimum, a credit report on the related Borrower (to the extent required pursuant to FHA Regulations), a title report, evidence of the Borrower's age and sex, a counseling certificate from a HUD approved counselor and a HUD approved appraisal form with original photos.
17. **GINNIE MAE-ELIGIBLE COLLATERAL.** The Mortgage Loan has Ginnie Mae eligible collateral and meets Ginnie Mae custodian requirements.
18. **RECORDING, ASSIGNMENTS.** Each original Mortgage was recorded and all subsequent assignments of the original Mortgage (other than the assignment to SWMC) have been recorded, or are in the process of being recorded, in the appropriate jurisdictions wherein such recordation is necessary to perfect the lien thereof as against creditors of the seller. As to any Mortgage Loan which is not a MERS designated Mortgage Loan, the assignment of mortgage is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the mortgaged property is located.



19. **BORROWER'S RECEIPT OF DISCLOSURES.** The borrower has executed a statement to the effect that the borrower has received all disclosure materials required by applicable law with respect to the making of fixed rate mortgage loans (in the case of fixed rate Mortgage Loans), and adjustable rate mortgage loans (in the case of adjustable rate Mortgage Loans) and rescission materials (with respect to HECM loans), and such statement is and will remain in the loan file.
20. **COMPLETION OF IMPROVEMENTS.** Any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds have been complied with unless a repair escrow has been established as permitted in the Guides. All improvements on the mortgaged property, including new construction, have been or will be completed in full compliance with any applicable laws, regulations, or building codes and standards, and that the improvements comply with the laws, regulations, or building codes and standards in effect.
21. **NO ZONING VIOLATIONS.** Seller has no knowledge that any improvement located on or being part of the mortgaged property is in violation of any applicable zoning law or regulation.
22. **IMPROVEMENTS.** All improvements included for the purpose of determining the appraised value of the mortgaged property lie wholly within the boundaries and building restriction lines of such property, and no improvements on adjoining properties encroach upon the mortgaged property.
23. **NO CONDEMNATION PROCEEDINGS.** There is no proceeding pending for total or partial condemnation of any mortgaged property and said property is free of substantial damage (including, but not limited to, any damage by fire, earthquake, windstorm, vandalism or other casualty) and in good repair.
24. **OCCUPANCY ON OWNER-OCCUPIED PROPERTIES.** Where a loan is represented as an owner-occupied loan, at the time the Mortgage Loan was originated, the borrower represented that the mortgaged property was owner-occupied or would become owner-occupied within the prescribed time frame, and would continue to be owner-occupied. The borrower executed a signed occupancy statement. The seller has no reason to believe that the mortgaged property will not be so occupied. As of Funding, the related mortgaged property was lawfully occupied under applicable law by the borrower.
25. **SOLE OWNER.** The seller is the sole legal, beneficial and equitable owner of the related promissory note, Mortgage, and servicing rights. The seller has full right and authority under all governmental and regulatory bodies having jurisdiction over the seller, subject to no interest or participation of, or agreement with, any party, to transfer and sell the Mortgage Loan to SWMC free and clear of any encumbrance or right of others, equity, lien, pledge, charge, mortgage, claim, participation interest or security interest of any nature (collectively, a "Lien"), except for the lien of a warehouse lender which has been disclosed to SWMC together with instructions for paying off such lien with the proceeds of the funding of the Mortgage Loan, and seller has full right to transfer, assign and sell the Mortgage Loan to SWMC free and clear of any pledge, lien or assignment. Immediately upon the transfers and assignments herein contemplated, the seller shall have transferred and sold all of its right, title and interest in and to the Mortgage Loan and SWMC will hold good, marketable and indefeasible title to, and be the owner of, such Mortgage Loan subject to no Lien.
26. **COMPLIANCE WITH LAW.** The Mortgage Loan has been originated, closed, serviced and transferred in compliance with all applicable federal, state and local laws, regulations and orders, including usury laws, the Real Estate Settlement Procedures Act, the Fair Credit reporting Act, the Equal Credit Opportunity Act, the Truth-in-Lending Act, the Fair Housing Act, the National Flood Insurance Act, the Gramm-Leach-Bliley Act, the Electronic Signatures in Global and National Commerce Act (E-Sign), the Home Ownership and Equity Protection Act of 1994 and the Uniform Electronic Transactions Act (UETA), and (c) all other laws and regulations applicable to electronic records, electronic disclosures, and electronic signatures. All loan documents and all other documents relating to the Mortgage Loan comply with all applicable federal, state and local laws, regulations and orders. The Mortgage Loan documents accurately reflect the status of the Mortgage Loan with respect to all such laws or regulations. Each borrower has duly executed and delivered

appropriate evidence indicating that the borrower has received any and all disclosure materials as required by applicable law and regulations. The Mortgage Loan is not a "high-cost," "covered," "high-risk," "predatory" or any other similar designation under any state or local law in effect.

27. **ACCURACY OF INFORMATION.** All information furnished to SWMC relating to the Mortgage Loan is true, complete and accurate and there are no omissions of material facts and the seller is not aware of any facts, the disclosure of which is necessary to make any representation or warranty not misleading. All information furnished to SWMC accurately reflects the information in the related loan file. No error, omission, misrepresentation, negligence, fraud or similar occurrence with respect to the Mortgage Loan has taken place on the part of any person, including without limitation the borrower, any appraiser, any builder or developer, or any other party involved in the origination, underwriting, processing, closing, or funding of such Mortgage Loan, or in the application for any insurance in relation to such Mortgage Loan.

28. **INSURANCE.** Each insurance policy required under the terms of the Guides is the valid and binding obligation of the insurer, has not been impaired, is in full force and effect, and all premiums due under the insurance policy have been paid. The Mortgage requires the borrower to maintain all such 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 from the borrower. The seller has caused or will cause to be performed any and all acts required to preserve the rights and remedies of SWMC in any insurance policies applicable to the Mortgage Loan including, without limitation, any necessary notifications of insurers, assignments of policies or interests therein, and establishments of coinsured, joint loss payee and mortgagee rights in favor of SWMC.

29. **HAZARD INSURANCE.** All improvements upon the mortgaged property are insured by an insurer acceptable to the FHA and Fannie Mae against loss by fire, hazards of extended coverage and such other hazards as are customary in the area where the mortgaged property is located, pursuant to insurance policies conforming to the requirements of the Guides and the requirements of the FHA and Fannie Mae or Ginnie Mae, as applicable. All such insurance policies contain a standard mortgagee clause naming the seller, its successors and assigns as mortgagee and all premiums thereon have been paid. If the mortgaged property is in an area identified on a Flood Hazard Map or Flood Insurance Rate Map issued by the Federal Emergency Management Agency as having special flood hazards (and such flood insurance has been made available) a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration is in effect which policy conforms to the requirements of the FHA and Fannie Mae and in an amount representing coverage not less than the greater of (i) the lesser of (a) the outstanding principal balance of the Mortgage Loan (plus any additional amount required to prevent the borrower from being deemed a co insurer) or (b) the amount necessary to fully compensate for any damage or loss to the improvements which are a part of such property on a replacement cost basis, or (ii) the maximum amount of insurance which is available under the National Flood Insurance Act of 1968 or the Flood Disaster Protection Act of 1973, as amended.

30. **FLOOD INSURANCE.** To the extent required by the Flood Disaster Protection Act of 1973 and the 1994 National Flood Insurance Reform Act, each as amended, and their implementing regulations, the mortgaged property is covered by a flood insurance policy which complies with such laws, and the borrower has been given all notices that may be required by such laws. The policies contain a mortgage clause to SWMC.

31. **TITLE INSURANCE.** A policy of title insurance regarding the mortgaged property, in the form and amount required by the Guides, issued by a qualified title insurer, is effective as of the day the Mortgage is recorded, is valid and binding, is in conformance with all agency guidelines and remains in full force and effect.

Note: In the State of Iowa, an Iowa Title Guaranty must be obtained.

32. The title / escrow company, closing agent or such other entities must be appropriately licensed as required by the state / local regulations:

- a) As per the statute of the State of Iowa, the closing agent should have a valid license in the State of IA.
- b) In the State of Washington all the settlement service providers should hold a valid license in the State of WA.

33. **PRIMARY MORTGAGE INSURANCE.** The principal balance of the Mortgage Loan is and will be insured as to payment defaults by a primary mortgage insurance commitment issued by a qualified insurer. The primary mortgage insurance commitment insures the originator of the Mortgage Loan and its successors and assigns. Such insurance policy is the valid and binding obligation of the insurer, has not been impaired, is in full force and effect, and all premiums due under the insurance policy have been paid. The seller has disclosed in separate writing to the borrower the terms and conditions that must be met prior to the primary mortgage insurance policy being eligible for cancellation. The seller has taken all steps necessary to assign the primary mortgage insurance policy to SWMC, and is not aware of any reason the primary mortgage insurance policy may not be assigned to SWMC.

With respect to each FHA-insured Mortgage Loan, the FHA Policy is in full force and effect, and there exists no impairment to full recovery without indemnity to HUD or the FHA under the FHA Policy. The FHA shared premium insurance option has not been selected with respect to any Mortgage Loan. All necessary steps have been taken to keep such insurance valid, binding and enforceable and the FHA Policy is the binding, valid and enforceable obligation of the FHA to the full extent thereof, without surcharge, set off or defense and all actions that are necessary to ensure that each FHA Policy remains so valid binding and enforceable have been taken.

34. **MORTGAGE INSURANCE - HECM.** With respect to any Mortgage Loan that is a HECM: (a) the FHA Policy is in full force and effect, and there exists no impairment to full recovery without indemnity to HUD or the FHA under the FHA Policy; (b) the FHA shared premium insurance option has not been selected; (c) all necessary steps have been taken to keep the FHA Policy valid, binding and enforceable and the FHA Policy is the binding, valid and enforceable obligation of the FHA to the full extent thereof, without surcharge, set off or defense, and all actions that are necessary to ensure that the FHA Policy remains so valid binding and enforceable have been taken; (d) such HECM Loan provides for a monthly mortgage insurance premium payment to FHA in the amount of 1/12 of 0.5% of its outstanding Principal Balance; and (e) all mortgage insurance premiums that have become due on or prior to the related Closing Date (including the initial mortgage insurance premium) have been paid in accordance with FHA Policy.

35. **PROPERTY TAXES, ESCROW.** All taxes and governmental assessments that became due and owing prior to the closing date in respect to the mortgaged property have been paid. An escrow of funds in an amount sufficient, in accordance with industry standards or any applicable HUD regulations, to cover a portion of one (1) calendar year's payments of taxes and governmental assessments, hazard insurance and, if applicable, mortgage insurance premiums or guaranty fees on the mortgaged property, has been established.

36. **MANUFACTURED DWELLINGS.** With respect to each Mortgage Loan secured by a manufactured dwelling: (a) the manufactured dwelling is permanently affixed to a foundation which is suitable for the soil conditions of the site; (b) all foundations, both perimeter and interior, have footings that are located below the frost line; (c) any wheels, axles and trailer hitches are removed from the manufactured dwelling; (d) the Mortgage Loan is covered under a standard real estate title insurance policy or attorney's title opinion or certificate that identified the manufactured dwelling as part of the real property and insures or indemnifies against any loss if the manufactured dwelling is determined not to be part of the real property; and (e) the related mortgaged property is real property owned by the related mortgagor/trustor in fee simple.

With respect to any Mortgage Loan that is secured in whole or in part by an interest in manufactured housing, upon the origination of each such Mortgage Loan such manufactured housing unit will be the principal residence of the borrower and will be classified as real property under applicable state law.

37. **FHA AND VA LOANS.** With respect to a Mortgage Loan intended to be insured by the Federal Housing Administration (FHA) or guaranteed by the Department of Veterans Affairs (VA), after the Funding of the Mortgage Loan and payment of any premium thereafter: (1) the seller has received the related insurance certificate from the applicable agency evidencing such insurance within sixty (60) days of the origination date of such Mortgage Loan; (2) the seller has submitted all documents required by the applicable agency to insure such Mortgage Loan (regardless of whether such documents are required to be contained in the related servicing file) within thirty (30) days of the origination date of such Mortgage Loan; and the seller has provided access to SWMC to the lender number, password or any other information that may be required by the applicable agency or otherwise for SWMC to verify that the related MIP payments have been made.

The seller is authorized under applicable FHA/VA regulations to originate an FHA or VA home mortgage loan. The seller has fully complied with all requirements, standards and guidelines under applicable FHA or VA regulations, as amended from time to time. The seller has taken no action or failed to take any action, the effect of which would prevent it or SWMC from obtaining a mortgage insurance certificate issued by FHA or a VA loan guaranty certificate issued by the VA or which would at any time invalidate, in whole or in part, the FHA insurance or VA loan guaranty on any submitted FHA/VA loan application which is subsequently approved for purchase by SWMC or closing in the name of SWMC.

38. **MERS, ASSIGNMENT.** For a Mortgage Loan registered with MERS, all rules and procedures of MERS have been complied with regarding the Mortgage, and (i) if the Mortgage relating to such loan identifies MERS as the original mortgagee of record, such Mortgage provides that the Mortgage is given to MERS solely as nominee for seller and its successors and assigns and such Mortgage has been properly executed, acknowledged, delivered and recorded in all places necessary to perfect the security interest on the mortgaged property in favor of MERS, solely as nominee for seller and its successors and assigns; or (ii) if MERS is not the original mortgagee of record, an assignment to MERS has been prepared, duly executed and recorded and the chain of assignments is complete and recorded from the original mortgagee to MERS.

With respect to each MERS Designated Mortgage Loan, the seller has not received any notice of liens or legal actions with respect to such Mortgage Loan and no such notices have been electronically posted by MERS.

39. **NO DISTRIBUTION UNDER THE SECURITIES ACT.** Neither seller nor anyone acting on its behalf has offered, transferred, pledged, sold or otherwise disposed of the Mortgage Loan or any interest in the Mortgage Loan, or solicited any offer to buy or accept a transfer, pledge or other disposition of the Mortgage Loan, or any interest in the Mortgage Loan, or otherwise approached or negotiated with respect to the Mortgage Loan, or any interest in the Mortgage Loan, with any person in any manner, or made any general solicitation by means of general advertising or in any other manner, or taken any other action that would constitute a distribution of the loan under the Securities Act of 1933, as amended (the "Securities Act") or which would render the disposition of the loan a violation of Section 5 of the Securities Act or require registration pursuant thereto. The Mortgage Loan is not a security under any federal or state securities law or subject to regulation there under.

40. **NO DEFAULT.** There is no default, breach, violation or event of acceleration existing under the Mortgage or the promissory note and there is no event that, 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 permitting acceleration. All payments required to be made up to the close of business on the Funding date for such Mortgage Loan under the terms of the promissory note have been made. Except as otherwise permitted in the Guides or expressly waived in writing by SWMC, the Mortgage

Loan is current and not past due under its own terms. No such default, breach, violation or event of acceleration has been waived by any person involved in originating or servicing of the Mortgage Loan.

41. **NO MATURITY EVENTS.** With respect to each Mortgage Loan, no Maturity Events under the related note have occurred. Without limitation, none of the following have occurred: (1) the sale, conveyance, transfer or assignment of any part of the mortgaged property where no other borrower retains title to such mortgaged property, (2) the death of a borrower and the mortgaged property is not the principal residence of at least one surviving borrower, (3) the mortgaged property ceases to be the principal residence of a borrower for reasons other than death and such mortgaged property is not the principal residence of at least one surviving borrower, (4) a borrower to occupy the mortgaged property for a period of longer than 12 consecutive months because of physical or mental illness and the mortgaged property is not the principal residence of at least one other borrower (5) a borrower fails to perform any of its obligations under the Mortgage Loan.

42. **CREDIT INSURANCE.** No borrower was required to purchase any single premium credit insurance policy (e.g., life, mortgage, disability, accident, unemployment, property or health insurance product) or debt cancellation agreement as a condition of obtaining the extension of credit. No borrower obtained a prepaid single premium credit insurance policy (e.g., life, mortgage, disability, accident, unemployment, property or health insurance product) or debt cancellation agreement in connection with the origination of the Mortgage Loan. No proceeds from any Mortgage Loan were used to purchase single premium credit insurance policies (e.g., life, mortgage, disability, accident, unemployment, property or health insurance product) or debt cancellation agreements as part of the origination of, or as a condition to closing, such Mortgage Loan.

43. **NO LIENS.** There are no delinquent tax or delinquent assessment liens against the mortgaged property, and there are no mechanic's liens or claims for work, labor or material or any other liens affecting the mortgaged property, which are or may be a lien prior to, or equal with, the lien of the Mortgage assigned to SWMC, except those liens that are insured against by the policy of title insurance.

44. **NO REDEMPTION PERIOD.** The mortgaged property is not subject to a redemption period by a previous owner under applicable state law.

45. **NO DEFENSES.** The borrower has no right of rescission, set off, counterclaim or defense, nor will the operation of any of the terms of the Mortgage, the promissory note, or any other loan document, or the exercise of any right there under, render the Mortgage or the promissory note unenforceable, in whole or in part, or subject to any right of rescission, set off, counterclaim or defense, and no such right of rescission, set off, counterclaim or defense has been asserted with respect thereto.

46. **NO DAMAGE.** The mortgaged property is free of damage and waste and is not damaged by fire, earthquake, windstorm, flood or other casualty and are in good repair. There are no proceedings pending for the partial or total condemnation of the mortgaged property and seller knows of nothing involving the condition of the mortgaged property that could reasonably be expected to materially adversely affect the value or marketability of any mortgaged property. The seller has completed any property inspections required by FHA regulations, and such inspections, if any, show no evidence of property damage or deferred maintenance, unless the initial repair set-aside amounts disclosed in the related Mortgage Loan documents on the related loan closing date were set aside in part to repair such property damage or perform such deferred maintenance.

47. **LEASEHOLD.** In the case of any non-HECM Mortgage Loan, such Mortgage Loan is not secured in whole or in part by the interest of the related Mortgagor as a lessee under a ground lease of the related mortgaged property. In the case of any HECM Mortgage Loan, if such Mortgage Loan is secured by a long term residential lease, (i) the lessor under such lease holds a fee simple interest in the land and (ii) such lease complies with the terms of FHA Regulations.

48. **FULL DISBURSEMENT.** Except as may be permitted under the Guides, the proceeds of the Mortgage Loan have been fully disbursed and there is no requirement for future advances. All costs, fees and expenses incurred in making or closing the Mortgage Loan and the recording of the Mortgage were paid or are in the process of being paid, and the borrower is not entitled to any refund of any amounts paid or due under the promissory note or Mortgage. The unpaid principal balance of the Mortgage Loan is as represented by seller.

49. **ADVANCES.** All principal advances and servicing advances have been made in a timely fashion and in accordance with the terms of the Mortgage Loan and the promissory note and all provisions and timelines of FHA regulations. Any principal advances made to the borrower prior to the Funding date have been consolidated with the principal balance of the Mortgage Loan.

50. **PAYMENT FORBEARANCE OR FUTURE REFINANCING.** The seller has not made arrangements with any borrower for any payment forbearance or future refinancing with respect to the Mortgage Loan.

51. **APPRAISAL AND VALUE.** The loan file contains an appraisal of the related mortgaged property which was on appraisal form 1004 or form 2055 with an interior inspection. The appraisal was made and signed, prior to the approval of the Mortgage Loan application, by a qualified appraiser, duly appointed by the seller, who had no interest, direct or indirect in the mortgaged property or in the Mortgage Loan, whose compensation is not affected by the approval or disapproval of the Mortgage Loan who met the minimum qualifications of the FHA and Fannie Mae. Each appraisal of the Mortgage Loan was made in accordance with the relevant provisions of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. As of the Funding date, the market value of the mortgaged property is at least equal to the appraised value stated on the loan appraisal.

52. **HOME VALUATION CODE OF CONDUCT AND NON INFLUENCE.** Each appraisal conducted in connection with a single-family Mortgage Loan, other than a government-insured and guaranteed loan, was obtained in compliance with the Home Valuation Code of Conduct published by Fannie Mae and Freddie Mac and available here. For FHA loans, the appraisals were ordered in compliance with ML 09-28. The lender on the promissory note, provided to the borrower a copy of all appraisal reports no less than three days prior to the closing of the Mortgage Loan. All Forward Mortgage Loans that are purchased by SWMC include a copy of a disclosure signed by the borrower(s) acknowledging receipt of a copy of the appraisal at least three days prior to the closing of the Mortgage Loan.

53. **SERVICING AND COLLECTION PRACTICES.** The origination, servicing, and collection practices used by the originator, each servicer of the Mortgage Loan and seller with respect to the Mortgage Loan have been in all respects in compliance with Accepted Servicing Practices, applicable laws and regulations, and have been in all respects legal and proper. The servicing of each Mortgage Loan at all times has been in accordance with the requirements of the promissory note and Mortgage.

54. **ESCROW DEPOSITS; INTEREST RATE ADJUSTMENTS.** With respect to escrow deposits and Escrow Payments, (other than with respect to each second lien Mortgage Loan and for which the mortgagee under the first lien is collecting Escrow Payments) all such payments are in the possession of, or under the control of, the seller and there exist no deficiencies in connection therewith for which customary arrangements for repayment thereof have not been made. All Escrow Payments have been collected in full compliance with state and federal law. An escrow of funds is not prohibited by applicable law and has been established in an amount sufficient to pay for every item that remains unpaid and has been assessed but is not yet due and payable. No escrow deposits or Escrow Payments or other charges or payments due the seller have been capitalized under the Mortgage or note. All mortgage interest rate adjustments have been made in strict compliance with state and federal law and the terms of the related promissory note. Any interest required to be paid pursuant to state, federal and local law has been properly paid and credited.

55. **NO EQUITY PARTICIPATION.** No document relating to the Mortgage Loan provides for any contingent or additional interest in the form of participation in the cash flow of the mortgaged property or a sharing in the appreciation of the value of the mortgaged property. The indebtedness

evidenced by the promissory note is not convertible to an ownership interest in the mortgaged property or the borrower and the seller has not financed nor does it own directly or indirectly, any equity of any form in the mortgaged property or the borrower.

56. **PROCEEDS OF MORTGAGE LOAN.** The proceeds of the Mortgage Loan have not been and shall not be used to satisfy, in whole or in part, any debt owed or owing by the borrower to the seller or any affiliate or correspondent of the seller, except in connection with a refinanced Mortgage Loan.

57. **SMMEA ELIGIBILITY.** Each first lien loan was originated by either: a savings and loan association, savings bank, commercial bank, credit union, insurance company or similar banking institution, which is supervised by a federal or state authority or a mortgagee approved by the Secretary of Housing and Urban Development pursuant to sections 201 and 211 of the National Housing Act.

58. **CONSTRUCTION/REHABILITATION; TRADE-IN OR EXCHANGE.** The Mortgage Loan was not made in connection with (a) the construction or rehabilitation of the related mortgaged property or (b) facilitating the trade in or exchange of the related mortgaged property.

59. **IMPROVEMENTS WITHIN BOUNDARIES.** All improvements subject to the Mortgage that were considered in determining the appraised value of the mortgaged property lie wholly within the boundaries and building restriction lines of the mortgaged property (and wholly within the project with respect to a condominium unit) and no improvements on adjoining properties encroach upon the mortgaged property except those that are insured against by title insurance.

60. **STEERING.** Neither the seller nor anyone else engaged in a practice of "steering" a mortgage applicant to a loan with a higher interest rate and/or fees designed for less creditworthy borrowers when the borrower could qualify for a less costly loan with similar characteristics.

61. **ABILITY TO REPAY.** On a Mortgage Loan underwritten by the seller, the seller confirmed that, at the time of loan origination, the borrower had a reasonable ability to make the mortgage payments and was likely to do so in a manner that will enable him or her to successfully maintain homeownership.

62. **TANGIBLE NET BENEFIT.** If the Mortgage Loan is a non-purchase money first lien loan secured by a 1-4 family primary residence, the Mortgage Loan provides a tangible net benefit to the borrower.

63. **PAYMENTS TO CONTRACTORS.** All home improvement contract disbursements made from the Mortgage Loan proceeds were made either: (a) payable to the borrower or jointly to the borrower and the contractor; or (b) through a third party escrow agent pursuant to a written agreement signed by the borrower, the lender, and the contractor before the date of payment.

64. **TITLE INSURANCE.** Each Mortgage Loan is covered by an American Land Title Association ("ALTA") lender's title insurance policy (which, in the case of an Adjustable Rate Mortgage Loan has an adjustable rate mortgage endorsement in the form of ALTA 6.0 or 6.1), issued by a title insurer acceptable to the FHA and Fannie Mae 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 Loan and, with respect to any Adjustable Rate Mortgage Loan, against any loss by reason of the invalidity or unenforceability of the lien resulting from the provisions of the Mortgage providing for adjustment in the mortgage interest rate. If the mortgaged property is a condominium unit located in a state in which a title insurer will generally issue an endorsement, then the related title insurance policy contains an endorsement insuring the validity of the creation of the condominium form of ownership with respect to the project in which such unit is located. Where required by state law or regulation, the mortgagor/trustor has been given the opportunity to choose the carrier of the required mortgage title insurance. Additionally, such lender's title insurance policy affirmatively insures ingress and egress to and from the mortgaged property, and against encroachments by or upon the mortgaged property or any interest therein. The seller is the sole insured of such lender's title insurance policy, and such lender's

title insurance policy is in full force and effect as of the day the security interest was recorded and will be in full force and effect upon the Funding date. No claims have been made under such lender's title insurance policy, and no prior holder of the related Mortgage, including the seller, has done, by act or omission, anything which would impair the coverage of such lender's title insurance policy.

65. **MORTGAGED PROPERTY.** The mortgaged property is located in the state identified in its Mortgage documents and consists of a single parcel of real property with a detached single family residence erected thereon, or a townhouse (including a rowhouse), 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 or a de minimis planned unit development; provided, however, that any condominium unit or planned unit development conforms with requirements acceptable under the Guides, FHA and Fannie Mae regarding such dwellings, or is located in a condominium or planned unit development project which has received written project approval from SWMC. No portion of any mortgaged property is used for commercial purposes, nor is any mortgaged property a mobile home. Unless expressly permitted by SWMC, the mortgaged property is not located in a jurisdiction other than in one of the fifty (50) states of the United States of America or the District of Columbia.

66. **VALID AND PERFECTED LIEN, PRIORITY.** The Mortgage is a valid, perfected and enforceable first priority lien (in the case of a first lien loan) or second priority lien (in the case of a second lien loan or line of credit) on the mortgaged property securing the borrower's obligations under the promissory note subject only to: (a) the lien of non-delinquent current real property taxes and assessments not yet due and payable; (b) covenants, conditions and restrictions, rights of way, easements and other matters of the public record as of the date of recording that are acceptable to mortgage lending institutions generally and either: (i) are referred to or otherwise considered in the appraisal made for the originator of the Mortgage Loan; or (ii) do not adversely affect the appraised value of the mortgaged property as set forth in such appraisal, other matters to which like properties are commonly subject that do not 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 mortgaged property, and, in case of a second lien loan, the first lien. No such impediments adversely affect the value, use, enjoyment or marketability of the mortgaged property.

67. **SECOND LIEN LOANS.** If the Mortgage Loan is a second lien loan, none of the documents evidencing, securing or otherwise relating to the first lien loan in any way restricts or prohibits the borrower from obtaining the second lien loan or from creating any of the liens granted as security for the second lien loan, and the second lien loan does not violate any term or condition imposed by any such first lien documents.

68. **ENVIRONMENTAL HAZARDS.** There is no violation of any environmental law, rule or regulation with respect to the mortgaged property, and there are no toxic materials or other environmental hazards on, in or that could affect the mortgaged property. Neither seller nor the related borrower has received any notice of any violation or potential violation of such laws.

69. **NO BANKRUPTCY.** The borrower is not in bankruptcy.

70. **NO HOME IMPROVEMENT CONTRACTOR.** No home improvement contractor or dealer was involved as a third party originator of the Mortgage Loan or received compensation in any form from seller.

71. **EARLY PAYMENT DEFAULT.** Neither seller, nor any third party acting on behalf of seller, has made or will make a scheduled payment on the Mortgage Loan during the period during which the Mortgage Loan is subject to the remedies applicable for early payment default.

72. **TAX SERVICE CONTRACT.** Each Mortgage Loan is covered by a "life of loan" Tax Service Contract which is assignable to SWMC or its designee at no cost to SWMC or its designee with an approved Tax Service Contract provider.



73. **FLOOD ZONE SERVICE CONTRACT.** Each Mortgage Loan is covered by a "life of loan" Flood Zone Service Contract which is assignable to SWMC or its designee at no cost to SWMC or its designee or, for each Mortgage Loan not covered by such Flood Zone Service Contract, the seller agrees to purchase such Flood Zone Service Contract.

74. **NON-SOLICITATION.** The seller has not solicited or provided information to another party for the purpose of soliciting, and covenants and agrees that it will not solicit or provide information to another party for the purpose of soliciting, the refinancing of the Mortgage Loan. The term "solicit" as used in this subsection shall mean a direct request or offer to refinance a servicing released loan, and shall not include general solicitations, advertisements, or promotions directed to the public at large.

75. **EXCLUSIONARY LIST.** No person or entity on any SWMC exclusionary list has participated in any way in the origination or servicing of a loan in connection with any function related to the Mortgage Loan.

76. **ELECTRONIC LOAN DISCLOSURES.** If disclosures are required by law to be given to borrower(s) in connection with the origination of a Mortgage Loan and the disclosures are provided electronically, the disclosures were provided in compliance with the Electronic Signatures in Global and National Commerce Act (E-Sign) and all other laws and regulations applicable to electronic records and electronic disclosures. Borrowers have consented to receive the disclosures in accordance with the E-Sign Act. The borrower(s) have, by use of electronic means, either (i) affirmatively consented to use electronic records, or (ii) confirmed electronically consent that was oral or in writing. The affirmative consent process, including confirmation of prior non-electronic consent if applicable was accompanied by, or incorporates, a reasonable demonstration of the consumer's ability to receive electronic disclosures in the formats that will be used for delivering the required disclosures. The loan file contains documentary evidence of the borrower's consent to receive disclosures electronically and hard copies of the disclosures provided electronically.

77. **E-SIGN DISCLOSURES.** Sun West accepts initial loan application and disclosures executed using electronic signature ("e-signature") only when signed in compliance with the federal E-Sign Act through one of the Sun West's approved E-Signature Vendors.

A list of Authorized E-Signature Vendors is available in the HELP section of [Sunsoft](#).

78. **FANNIE MAE LOAN QUALITY INITIATIVE.** For a Mortgage Loan eligible for sale to Fannie Mae or Freddie Mac closed in seller's name and sold to SWMC, the loan complies with Fannie Mae's Loan Quality Initiative requirements as described in Fannie Mae Lender Letter LL-2010-03 and Fannie Mae Announcements SEL-2010-01 and SEL 2010-03 and in any and all subsequent Fannie Mae Lender Letters and Selling Guide Announcements regarding the Mortgage Loan Quality Initiative.

79. **PARTIES LICENSED, IN COMPLIANCE WITH LAW.** All parties which have had any interest in the Mortgage Loan, whether as originator, mortgagee, assignee, pledgee or otherwise, are (or, during the period in which they held and disposed of such interest, were): (A) organized under the laws of the state in which the related mortgaged property is located, or (B) qualified to do business in such state, or (C) federal savings and loan associations or national banks having principal offices in such state, or (D) not doing business in such state so as to require qualification or licensing, or (E) not otherwise required to be licensed in such state. All parties which have had any interest in the Mortgage Loan were in compliance with any and all applicable "doing business" and licensing requirements of the laws of the state wherein the mortgaged property is located or were not required to be licensed in such state.

80. **SERVICEMEMBERS CIVIL RELIEF ACT.** The borrower has not notified the seller and the seller has no knowledge of any relief requested or allowed to the borrower under the Servicemembers Civil Relief Act.

81. MORTGAGED PROPERTY IN GEORGIA. The Mortgage Loan was not (a) originated or modified on or after October 1, 2002 and prior to March 7, 2003; and (b) is secured by a mortgaged property located in the State of Georgia.
82. MORTGAGED PROPERTY IN ILLINOIS (HECM). In the case of any HECM Loan secured by mortgaged property located in the State of Illinois, such Mortgage Loan is not a fixed rate mortgage loan.
83. MORTGAGED PROPERTY IN MASSACHUSETTS (HECM). In the case of any HECM Loan secured by mortgaged property located in the State of Massachusetts, the seller has received plan approval from the State of Massachusetts authorizing the seller to fund HECM loans in that state.
84. MORTGAGED PROPERTY IN TEXAS (HECM). In the case of any HECM Loan secured by mortgaged property located in the State of Texas, such Mortgage Loan was not originated in connection with the purchase of the related mortgaged property.
85. MORTGAGED PROPERTY IN COOK COUNTY, IL. Each Mortgage Loan secured by a mortgaged property located within the "Pilot Program Area" in Cook County in the State of Illinois was originated in compliance with Illinois Public Act 94 280 (Illinois H.B. 4050), known as the Predatory Lending Database Pilot Program Act (765 ILCS 77/70)). The term "Pilot Program Area" refers to the following zip codes: 60620, 60621, 60623, 60628, 60629, 60632, 60636, 60638, 60643, and 60652. Every such Mortgage Loan, regardless of the originator, recorded on or after September 1, 2006, was validly recorded with the Cook County Recorder of Deeds along with either a Certificate of Compliance or Exempt Certificate issued by the Illinois Department of Financial and Professional Regulation as a cover sheet. No material changes were made to any such Mortgage Loan from the time that the Mortgage Loan file was submitted to the Illinois Department of Financial and Professional Regulation for a Certificate of Compliance or Exempt Certificate until the date of settlement.
86. NO PREDATORY LENDING. No predatory, abusive or deceptive lending practices, including but not limited to, the extension of credit to a borrower without regard for the borrower's ability to repay the Mortgage Loan and the extension of credit to a borrower which has no tangible net benefit to the borrower, were employed in connection with the origination of the Mortgage Loan. Each Mortgage Loan is in compliance with the anti-predatory lending eligibility for purchase requirements of Fannie Mae's selling guide.
87. ANTI-MONEY LAUNDERING LAWS. The seller has complied with all applicable anti-money laundering laws and regulations, including without limitation the USA Patriot Act of 2001, The Bank Secrecy Act ("BSA") and the statutes, rules and regulations administered by the Office of Foreign Assets Control ("OFAC"), the Financial Crimes Enforcement Network ("FinCEN") and any other similar local, State or Federal Law related to anti money laundering and financial transaction security and integrity that may be enacted from time to time (collectively, the "Anti-Money Laundering Laws") together with SWMC's Anti Money Laundering Program.

The seller has established an anti-money laundering compliance program as required by the Anti-Money Laundering Laws, has conducted the requisite due diligence in connection with the origination of each Mortgage Loan for purposes of the Anti-Money Laundering Laws, including with respect to the legitimacy of the applicable borrower and the origin of the assets used by the said borrower to purchase the property in question, and maintains, and will maintain, sufficient information to identify the applicable borrower for purposes of the Anti-Money Laundering Laws.

The seller shall indemnify, defend and hold SWMC harmless from and against any and all losses, damages, claims, actions, causes of action, liabilities, obligations, judgments, penalties, fines, forfeitures, costs and expenses, including, without limitation, legal fees and expenses, that result from the submission or sale of any Mortgage Loan that does not comply in all respects with all applicable Anti-Money Laundering Laws and SWMC's Anti Money Laundering Program.

The Mortgage Loan is not subject to nullification pursuant to Executive Order 13224 (the "Executive Order") or the regulations promulgated by the Office of Foreign Assets Control of the United States Department of the Treasury (the "OFAC Regulations") or in violation of the Executive Order or the OFAC Regulations, and the borrower is not subject to the provisions of such Executive Order or the OFAC Regulations nor listed as a "blocked person" for purposes of the OFAC Regulations.

If such Mortgage Loan violates applicable Anti-Money Laundering Laws and/or SWMC's Anti-Money Laundering Program, SWMC may, in addition to all available rights and remedies at law or in equity including, but not limited to, the indemnities set forth above: (1) value such Mortgage Loan at zero for collateral purposes, (2) require the seller to repurchase the affected Mortgage Loan, and (3) require the seller to undertake a review of its policies, practices, and procedures for complying with SWMC's policies.

88. CIRCUMSTANCES RESULTING IN FAILURE OF COVERAGE. No action, inaction, or event has occurred and no state of fact exists or has existed that has resulted or will result in the exclusion from, denial of, or defense to coverage under any applicable special hazard insurance policy or bankruptcy bond or FHA Policy, irrespective of the cause of such failure of coverage. In connection with the placement of any such insurance, no commission, fee or other compensation 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 thereof had a financial interest at the time placement of such insurance.
89. NO KNOWLEDGE OF FACTS TO CAUSE INVESTOR TO REJECT LOAN. The seller has no knowledge of any circumstances or conditions with respect to the Mortgage, the mortgaged property or the borrower that can reasonably be expected to cause private institutional investors to regard the Mortgage Loan as an unacceptable investment or adversely affect the value or marketability of the Mortgage Loan.
90. NO PRIOR REJECTION. The Mortgage Loan has not previously been rejected by HUD, Fannie Mae, Freddie Mac, Ginnie Mae, another lender, investor, or purchaser, unless the seller has received written approval from SWMC prior to the submission of such Mortgage Loan.
91. FAMILY TRUSTS. In the event that the related mortgagor/trustor is a family trust, the terms of such family trust comply with Fannie Mae and FHA requirements.
92. NO PURCHASE LESS THAN SIX MONTHS BEFORE SALE TO SELLER. The related mortgaged property was not purchased by the borrower less than six months after the sale of such mortgaged property to the seller who sold such mortgaged property to such borrower.
93. HELOC REVOLVING PERIOD. For each Mortgage Loan that is a HELOC, the Mortgage Loan provides for an initial period (the "Revolving Period") during which the borrower is required to make monthly payments of interest payable in arrears and requires repayment of the unpaid principal balance thereof over a period following the Revolving Period (the "Repayment Period") which is not in excess of 120 months. As of the Funding date, the HELOC was not in its Repayment Period. The mortgage interest rate on the Mortgage Loan adjusts periodically in accordance with the related home equity line of credit agreement, account agreement, and note equal the sum of the index set forth in the promissory note for purpose of calculating the applicable interest rate and the related fixed percentage amount set forth in the related note. On each adjustment date, the seller has made interest rate adjustments on the Mortgage Loan which are in compliance with the related Mortgage, note, and applicable law.
94. PREPAYMENT FEE. With respect to each Mortgage Loan that has a prepayment fee feature, each such prepayment fee is enforceable and was originated in compliance with all applicable federal, state and local laws and will be enforced by the seller for the benefit of SWMC, and is only payable during the first 3 years of the term of the Mortgage Loan. The borrower received a benefit in exchange for accepting such prepayment fee.

95. ENDORSEMENTS. The promissory note has been endorsed by a duly authorized officer of the seller for its own account and not as a fiduciary, trustee, trustor or beneficiary under a trust agreement.
96. ADDITIONAL REPRESENTATIONS AND WARRANTIES. In addition to those representations, warranties, and covenants specifically set forth above and in the Broker/Correspondent Agreement, seller makes all representations, warranties, and covenants that are normally or customarily made in connection with a mortgage loan of the same type and terms as the Mortgage Loan sold to SWMC.

### **3.0 Loan Compliance and Pre-Purchasing Review**

As part of a review process, SWMC will ensure that you have provided the Borrowers with necessary and sufficient information about reverse mortgage programs and in the manner prescribed by HUD, FNMA, RESPA and other regulatory agencies. SWMC will also ensure that the information and supporting documentation submitted in the loan package is complete and accurate. All loans must be originated directly by you under retail or wholesale channels.

This document provides you with broad guidelines on working with SWMC. However, HUD, FNMA, RESPA and other regulatory guidelines supersede any current or future guidelines.

All loans must be delivered to SWMC, originated in accordance with the HUD Handbooks 4150.1, 4150.2, 4155.1 and 4235.1 which are available on the HUD website at <http://www.hud.gov/offices/hsg/sfh/lender/mtgeekit.cfm>.

#### **Guidelines:**

#### **Licensing and Compliance**

##### **3.1 *Licensing Compliance***

You must ensure your company/ branches have valid licenses to do business in the state of loan origination. Also verify that the license type is valid for the type of mortgage business you carry out, e.g. Brokering or Lending. Some states require you to have special licenses for each type of origination. Please refer to the respective state licensing departments for more information.

For states requiring Loan Officers, Processors and Underwriters to be licensed, please ensure your loans are originated by employees or contract employees that have met the licensing compliance of the respective state of loan origination.

You may also contact your Client Relations Manager or our Broker Support Dept. for more information.

##### **3.2 *FHA Approval***

Ensure your company / branches have valid FHA Approvals to conduct business within the state of Loan Origination based on the approved HUD Lending area. The main office/ branch originating the loan must be licensed by the state, as discussed above, and FHA approved to do business in the respective HUD licensed areas. You may also contact your CRM or our Broker Support Dept. for more information.

FHA loans may also now be originated by Third-Party originators (TPO) who are not FHA approved. Please ensure guidelines are followed based on FHA ML 10-20 as to the procedures on assigning FHA Cases and also on evaluating the TPO since the sponsoring Mortgagee would be solely responsible for any issue on the loan.

##### **3.3 *Educate Borrowers on the loan program***

For HECM loans, per Mortgagee Letter 04-25, topics that must be discussed prior to counseling are:

- Eligibility (age, principal residence, debt owed to the federal government)
- Provide information on fees and charges (allowable closing costs)
- Describe potential financial implicate

Provide the Borrowers with a comparative analysis of a HECM and other reverse mortgage programs

Ensure that the Borrowers were not being steered to any one lender or any other third party vendor such as a termite inspection company.

Prior to counseling, the borrower must not have incurred any cost. Once the borrower has attended counseling, you may take an application from the borrower. Ensure the application package is printed from SunSoft (SWMC's Reverse Mortgage Loan Origination System).

You may not order an appraisal, inspections, FHA Case Number, etc., prior to counseling. You may order the appraisal from the Vendor Order option on SunSoft once the Borrower has completed counseling, the Lender's TILA package is deemed to have been received by the borrower, all Federal and State specific disclosures have been sent to the borrower within 3 days of application and the borrower has provided you their intent to proceed with the new GFE disclosed on applications taken on or after 01/01/2010.

However, a title may be ordered prior to counseling but not before the borrower has received the Lender's TIL disclosures or the borrower receiving and providing their intent to proceed with the loan. Please note that certain states like Vermont prohibit an application to be taken prior to counseling. Please refer to the respective state guidelines when originating a loan.

Ensure that the Borrowers neither paid you nor any third party vendor directly without the payment being reflected on HUD-1.

Ensure that the fees are within HUD HECM guidelines. Also ensure you are disclosing all Origination Fees and YSPs correctly in Section 1 of the New GFE since these fees cannot be changed once the borrower has accepted the GFE and provided their intent to proceed with the loan. Also ensure the fees for services provided by vendors chosen by the broker / lender are disclosed very accurately. These fees cannot increase by an aggregate of more than 10% at closing. If the state / county require transfer taxes to be paid on purchases, ensure they are accurately disclosed on the GFE as they have zero tolerance for increase at closing. The lender / broker is responsible for refunding the additional fees to the borrower in case they have been under-disclosed.

Throughout the loan process, ensure that you maintain regular contact with your borrowers.

Ensure that the final 1009 is complete (especially the HMDA data), dated and signed. HUD also requires that unmarried borrowers are to be on their own and separate 1009 forms so do be sure to verify the marital status listed. This also may be important when additional names appear on title or within a trust. Also please ensure the State Licenses and NMLS IDs are mentioned on the applications taken on or after 01/01/2010.

**Important:** On the 1009, Section I. Ensure that the correct Type of Mortgage and Terms of Loan is checked. For e.g., check HECM (FHA) for HECM loans.

I. Type of Mortgage and Terms of Loan		
Mortgage Applied for: <input type="checkbox"/> FHA Traditional HECM* <input type="checkbox"/> FHA Refinance HECM* <input type="checkbox"/> FHA Purchase HECM* \$ _____ Sales Contract Price \$ _____ Land Installment Contract Price \$ _____ Borrower's Investment Other _____ (specify)	FHA Case No. (HECM):  Loan Payment Plans: <input type="checkbox"/> Line of Credit <input type="checkbox"/> Term <input type="checkbox"/> Modified Term <input type="checkbox"/> Tenure <input type="checkbox"/> Modified Tenure <input type="checkbox"/> Lump Sum <input type="checkbox"/> Undecided	Lender Case No.:  Purpose of Loan: (Check all that apply) <input type="checkbox"/> Additional Income <input type="checkbox"/> Home Improvements <input type="checkbox"/> Payment of Taxes <input type="checkbox"/> Payment of Insurance <input type="checkbox"/> Leisure <input type="checkbox"/> Medical <input type="checkbox"/> Extinguish Forward Mortgage <input type="checkbox"/> Other _____ (specify)
*Complete HUD/VA Addendum HUD 92900-A		
Features (Check the applicable boxes): Special Loan Features <input type="checkbox"/> Equity Share <input type="checkbox"/> Other (specify) _____ Index Type: <input type="checkbox"/> LIBOR <input type="checkbox"/> Other (specify) _____ ARM Type: <input type="checkbox"/> Monthly <input type="checkbox"/> Annual Fixed Rate Type: <input type="checkbox"/> Open End <input type="checkbox"/> Closed End Other: <input type="checkbox"/> Explain _____		_____ Loan Origination Fee

### 3.4 FHA Case Assignment

To order an FHA Case Number, enter:

- Property Address, must match USPS Lookup
- Borrower Names, SSNs, DOBs
- Click "Send" to validate
- Correct any errors
- The Field Office would automatically populate based on the property address
- Enter the Loan Number in the Lender Case Reference number field
- Your Originator ID would automatically populate in the respective field. If you are originating the loan as a C31 client, your broker may have originated the loan. In such cases, you would need to add them as a Sponsored Originator in the respective field. Note: You must ensure that a Sponsored Originator is properly set up and approved in FHA Connection.
- Select "Yes" or "No" appropriately in the field, "Is this a Sponsored Originator Case?"
- Enter the Loan Officer's name and NMLS ID in the appropriate field.
- Case Type: Regular DE
- Construction Code: Existing
- Processing Type: HECM
- Financing Type: N/A
- ADP Code:
  - ARM HECM: 962 (SFR) or 968 (Condo)
  - Fixed HECM: 961 (SFR) or 967 (Condo)
- Living Units: Per property
- Select: Refinance (HECM-HECM Only) / Purchase (HECM Purchase / Traditional (All Others))
- If Refinance:
  - Enter "Yes" if Refinance was chosen above
- Prior FHA Case Number
- Only if a HECM-HECM Refinance
- Is this a: UD Condo Indicator / Only condominium, per appraisal
- Condo ID: From FHA Approval List if approved
- Spot Lot: "No". Select yes only for a lot being developed in a previously completed subdivision.
- Year Completed:
- HECM Counsel Certificate Number: Enter this from the Counsel Certificate.
- HECM Counsel Date: From Counseling Certificate

Ignore all other information on the screen and click submit

### **3.5 *Dual Employment of the Loan Officer is not permitted***

The mortgagee any other party that participates in the origination of a mortgage to be insured under this section shall not participate in, be associated with, or employ any party that participates in or is associated with any other financial or insurance activity.

### **3.6 *State Specific Requirements***

- California
  - In California, a quit claim deed from a spouse is typically sufficient to fully extinguish a spouse's rights to the property at closing. Therefore, the non-borrowing, non-titled spouse would not have to acknowledge deed, TIL and NORC (Notice of Right to Cancel).
- Illinois
  - HECM Fixed and HECM Purchase will not be accepted by SWMC in the State of Illinois under any category. Only Open Ended Simple HECMs may be accepted in this state.  
Note: HECM Fixed and HECM Purchase loans will be accepted under C31 origination type if the loan is originated as a retail loan by the client (i.e. if the loan is not a TPO loan)
- Maryland
  - If the LO has the ownership of more than 25% of the broker company then he is exempted from the loan originator licensing.
- Massachusetts
  - HECM Purchase is not permitted in Massachusetts.
- New York
  - If a loan is originated in the State of New York, the Closing Attorney's or Closing Agent's E and O Policy coverage / Professional Liability Coverage must be at least \$2 Million to be eligible for Purchase or Funding by SWMC.
- Puerto Rico
  - In SWMC Cerritos Office, if required, we will have someone who can assist in document translation or phone calls.
  - For the same subject property, legal address and the address given in the utility bills may be different. In these cases as per PR law, for recording purposes, SWMC will utilize the address from the Property Registry.
  - Puerto Rico utilizes 2 last names. The first last name is the "official" last name and the second is the mother's maiden name (optional). For SWMC purposes we will use the first last name.
  - As per Puerto Rico law number 95 of June 19, 2008, now it is no longer required for a HUD employee to sign closing documents on HECM loans.
- Texas
  - Effective for FHA case numbers assigned on or after 08/04/2014, Sun West is accepting HECM Loans with non-borrowing spouse.



Note that though the Seller Guide contains guidelines for Non Borrowing Spouse, currently SWMC does not accept reverse mortgage loans where there is a Non Borrowing Spouse. However, a case by case exception may be provided by SWMC Management in case of any extenuating circumstances.

**Application and Initial Disclosures**

**3.7 Checkpoints for the Initial 1009**

All appropriate fields on the 1009 form must be filled in. They must match the loan program, interest rate and other details disclosed on the GFE and other loan qualifying documents.

At least one alternate contact person and contact information is required. An alternative contact form is only necessary when this information is not mentioned on 1009. Providing an Alternate Contact is required solely for the benefit of the borrower and is a lender requirement. Please note that absolutely no sensitive information will ever be released to the alternate contact person. Additionally, an alternate contact would only be contacted if and when all other methods for contacting the borrower directly were exhausted and an urgent issue needs attention. (Note: The borrowers cannot be an alternate contact for one another.)

Mailing Address, if different from Subject Property Address	Mailing Address, if different from Subject Property Address
Marital Status: <input type="checkbox"/> Married <input type="checkbox"/> Unmarried (include Single, divorced, widowed)	Marital Status: <input type="checkbox"/> Married <input type="checkbox"/> Unmarried (include single, divorced, widowed)
Alternative Contact Person (name, address, phone):	Alternative Contact Person (name, address, phone):

**3.8 Face to Face Interview**

If the borrower chooses not to provide the information for an application taken in person, loan officer should note this fact on the 1009 and then note the applicant’s ethnicity, race, and sex on the basis of visual observation and surname, to the extent possible.

**3.9 Home Equity Conversion Mortgage Disclosure Important Terms document**

This is revised on Jan 23 of each year and is void after Jan 31. So, if today’s date is February 5, 2008, your HECM Disclosure Important Terms document would have been revised January 23, 2008 and the revision date should read “Revised 1/24/08.” The revision date appears in the bottom right-hand side of the page. If you need a revised document, please call your Client Relations Manager at Sun West Mortgage (800) 453-7884.

**3.10 Good Faith Estimate and Final TIL**

Ensure that the Good Faith Estimate and Final TIL are accurate and match with the final [HUD-1](#).

The following is a list of HUD HECM allowable charges:

- Origination Charges:, Paid to Lender / Broker
  1. Origination Fee:

- Please note that for all HECMs the loan origination fee limit will be the greater of \$2,500 **or** two percent of the maximum claim amount of the mortgage, up to a maximum claim amount (MCA) of \$200,000, **plus** one percent of any portion of the maximum claim amount that is greater than \$200,000. Lenders may accept a lower origination fee when appropriate. The total amount of the loan origination fee may not exceed \$6,000.
- 2. YSP: The YSP must be included in the Origination Charges in Section 1 of the initial GFE, else the lender / broker will not be allowed to charge it and would be shown as a credit to the borrower at closing.
- 3. Doc Fees must also be included in the Our Origination charge on the GFE.
  - HECM Counseling Fee (Only if charged by the counseling agency)
  - Appraisal Fee, Actual Charge (Need invoice), Paid to Appraiser/AMC or Reimbursed to Broker
  - Hazard Insurance, Actual Charge, Paid to Insurance Co.
  - Flood Insurance, Actual Charge, Paid to Insurance Co.
  - Attorney Fees (in connection with loan), Actual Charge (need invoice), Paid to Attorney or Reimbursed to Broker
  - Email Doc Fee, Customary & Reasonable (usually <\$200), Paid to Escrow/Closer
  - Courier Fee, Actual Charge, Paid to Closer
  - Tax & Lien Payoffs, Actual Payoff Amounts, Paid to Lien holder
  - Demand Fee, Actual Charge, Paid to Lien holder
  - Taxes, Actual Charge, Paid to County/City/State
  - Flood Cert, Actual Charge, Paid to Broker or Lender
  - Credit Report, Actual Charge, Paid to Broker or Lender
  - Termite/WDO Inspection, Actual Cost (need invoice), Paid to Inspection Company or Reimbursed to Broker
  - MIP, Actual Charge, Paid to Lender
  - Repair Admin Fee, Actual Charge with Repair Rider, Paid to Lender
  - Notary Fee, Actual Charge, Paid to Notary or Closer
  - Survey, Actual Charge (need invoice), Paid to Surveyor or Closer/Title
  - VODs, Actual Charge, Paid to Bank or Reimbursed to Lender
  - Closing Fee, Reasonable & Customary, Paid to Closer/Escrow
  - Title Charges, Reasonable & Customary (Depending on State), Paid to Title
    - 1. Title Search
    - 2. Title Exam
    - 3. Title Policy
    - 4. Endorsements
    - 5. Documentary Stamp Tax (FL)
    - 6. Intangible Tax (FL)
    - 7. Lender Mortgage Tax (NY)
    - 8. Borrower Mortgage Tax (NY)
    - 9. Recording
    - 10. Wire Fee, Actual Charge (one only!) Paid to Lien Holder OR Closer (but not both)
  - Engineering Cert, Actual Charge, Paid to Engineer or reimbursed to broker.

**Please Note:**

- 1) For all HECM Fixed loans submitted, with applications on or after 01/30/2011, only loans with Final TILs disclosed on the new format prescribed by the Federal Reserve Board are acceptable for purchase by SWMC. (Reference: <http://edocket.access.gpo.gov/2010/pdf/2010-20663.pdf>)
- 2) Fees in the initial GFE and the Final HUD1 cannot increase beyond the tolerance amounts. Fees from Section 3, 4, 5, 6 and 7 cannot increase by more than 10% of what was initially disclosed on the GFE. Origination charges and the fees in Section 8 cannot increase beyond what was initially disclosed. Correspondents are responsible to refund any charges to the borrower for fee increases beyond the tolerance amounts, if any.

For more information refer to HUD RESPA FAQs at this link:  
<http://www.hud.gov/offices/hsg/ramh/res/resparulefaqs.pdf>

- 3) In case if any fee/UFMIP is increased, per MDIA if the APR is increased by more than 0.125% or the APR affecting fees have increased by \$100 or more, a re-disclosure of the closing costs is necessary prior to closing. An appropriate waiting period per MDIA would apply prior to doc drawing for the borrower to have received and acknowledged the disclosures and change in fees.
- 4) For a list of FHA allowable charges including explanations, please refer to HUD's website at: [http://www.hud.gov/utilities/print/print2.cfm?page=80\\$^@http%3A%2F%2Fwww%2Ehud%2Egov%2Foffices%2Fhsg%2Fsfh%2Fref%2Fsfhp%2D15%2Ecfm&portnum=80](http://www.hud.gov/utilities/print/print2.cfm?page=80$^@http%3A%2F%2Fwww%2Ehud%2Egov%2Foffices%2Fhsg%2Fsfh%2Fref%2Fsfhp%2D15%2Ecfm&portnum=80)
- 5) HUD HECM List of Non-Allowable Charges:
  1. Miscellaneous Fees Charged by any party
  2. Application Fee Charged by any party
  3. Advisor Fee on HECM without Advisor Docs, to an FHA approved broker to a non broker
  4. Per Diem Interest
  5. Discount Fee on HECM
  6. Doc Preps from escrow/title/closer/broker (note, escrow/closer can usually roll this into the closing fee)
  7. Courier Fee from broker
  8. Processing Fee not included in 2% origination
  9. Underwriting Fee not included in 2% origination
  10. Demand Fee charged by escrow/title/closer/broker
  11. AVMs, Appraisal Reviews, Other Appraisal/Value Due Diligence

### 3.11 **Principal Limit Lock Disclosure**

- As long as the loan is closed within 120 days (or as per HUD guidelines) of the case number assignment, the maximum claim amount should be based upon the lower expected interest rate between the loan application date and the closing date. If it is past 120 days, the maximum claim amount should be based on the expected interest rate applicable during the week the loan documents were drawn.
- Principal Limit Lock Disclosure is not required on the Fixed Rate HECM. For Fixed Rate HECM, "Rate Lock Disclosure" is required

### 3.12 **Rate Lock Disclosure**

- The loan must be funded (or be purchased) within 30 days of the loan being locked in (for C31 clients, it is 30 days to get the loan purchased by Sun West). If the loan does not fund within 30 days from being locked in, the borrower will get the higher of the rate that was originally locked in or the current rate. There will also be a pricing hit to extend the lock, which will be passed on to the broker.
- The Locked **rate is as of the date the borrowers sign the initial 1009.**

### 3.13 **Disclosures**

- For RESPA compliance, the GFE, TALC/TIL, Amortization Table, "Customer Identification Documentation Patriot Act" etc. need to be sent out within 3 days of the initial application. All disclosures should be returned, signed and dated.
- Ensure all documents are in compliance and are completed prior to the borrower signing them. Ensure that the underwriting is performed in compliance of HUD, FNMA, RESPA and other agency guidelines.
- Anti Steering Disclosure (For TPO Loans) – A Borrower Signed and Dated copy must be provided or all applications taken on or after 04/06/2011 that were originated by a TPO (Third Party Originator / Affiliated Mortgage Broker). Loans will be ineligible for purchase if the Seller is unable to meet this requirement.
- All loans must comply with disclosure requirements, timing and waiting periods of RESPA, TILA, MDIA, etc.
- Increases in margins on a Variable Rate HECM are not permitted on loans underwritten by SWMC.

- If Interest Rates increase on Fixed Rate HECM, the most recent GFE disclosed should not show that the rate was locked prior to the interest rate increase. A re-disclosed TIL and GFE showing the change in the Interest Rate and APR must be sent to the borrower per the guidelines set forth by RESPA and MDIA.
- Completely filled and signed copy of "Quality Control Release and Authorization to Re-verify".

## **HECM Counseling**

### **3.14 Counseling Certificate**

- To be eligible for insurance, a HECM loan must have been executed by mortgagor(s) whom have received counseling by a third party other than the HECM lender. This counseling educates borrower(s) on the HECM program as well as advises them of potential mortgage fraud as HUD believes it is important to educate prospective HECM borrowers about how to avoid becoming victims of fraud schemes.
- All borrowers who will be part of the loan must attend counseling.
- Anyone on the title (regardless of age) and the spouses that are not on the title must attend the counseling. Counseling exception will be only given if the SWMC underwriter has spoken to all the concerned persons and the borrower to discuss the implications of not putting their name on the loan.
- The counseling certificate should be signed by the counselor only.
- HUD Policy on Counseling:** To ensure that the non-borrower spouse of a prospective HECM borrower understands the implications of a HECM, and the risks posed by the non-borrowing spouse quitclaiming to the prospective HECM borrower his/her interest in the real estate, which will serve as the security for the HECM, FHA recommends that the HECM borrower's spouse receive HECM counseling. This includes
  - a spouse, who is currently on the title for the real estate that will serve as the security for the FHA-insured HECM and is eligible for a HECM, but instead will be removed from the title;
  - a spouse, who is ineligible to receive a HECM, because she/he is under 62 years of age but is on the title for the property that will serve as the security for the FHA-insured HECM; and
  - a spouse who is currently not on title for the real estate.
- SWMC Policy on Counseling:** Anyone on the title (above the age of 62) and the spouses that are or are not on the title must attend the counseling.
- Counseling for the non-borrowing spouse / children of a prospective borrower does not have to take place at the same agency that provided HECM counseling to the borrower.
- All HECM lenders and counselors should have the capacity to conduct face-to-face interviews with prospective to HECM borrowers and must routinely offer to conduct face-to-face loan applications or counseling respectively. However, for those borrowers who opt to forego a face-to-face interview, the loan application, counseling or both may be performed by telephone.
- If a person has Power of Attorney (POA), they must also attend counseling. If the POA is signing all the documents on behalf of the borrower, then he or she is required to follow the same guidelines as the borrower and attend counseling in order to understand the requirements of the loan program.
- If the borrower is competent and a POA is being used, the borrower must also attend counseling and sign the counseling certificate, initial 1009, and 92900A. If the borrower is incompetent, the borrower must have executed the POA when the borrower was still competent. The file must contain proof of competency such as a letter from a physician. Then, the POA may sign those few forms on behalf of the borrower in addition to the all other documents.
- Borrower cannot incur any costs prior to counseling date (cannot pull credit, order appraisal, order inspections, prior to the counseling date). Only a preliminary title report may be ordered prior to counseling.

- Borrower can attend the counseling and lender can originate loan applications for those borrowers who are not 62 years of age provided they will be of 62 years of age at the time of closing.

**Important:** After Borrowers have completed HECM counseling and received a signed certificate, please check the certificate for the following:

- The certificate should be generated from FHA Connection and the certificate number must be verifiable on the Case Assignment once entered in FHA Connection. The Certificate Number is printed on the top right hand corner of the counseling certificate.
- Certificate should be signed and dated by Borrowers and counselors.
- Certificate should have the name of the Counseling Agency and Counselor.
- All Counseling Certificates expire after 180 calendar days. Interview must be completed prior to expiration date or new counseling is required. All other documents do not have to be dated after additional counseling expiration date.

### 3.15 **HUD Approved HECM Counseling Agencies**

- Please use the following link to find a counselor located near the property address.
- [http://www.hecmresources.org/states/reque\\_state\\_index.cfm](http://www.hecmresources.org/states/reque_state_index.cfm) or <http://www.hud.gov/offices/hsg/sfh/hecm/hecmlist.cfm>
- National Foundation of Credit Counselors (NFCC): <http://www.nfcc.org/> 1-866-698-6322
- Money Management International (MMI): <http://www.moneymanagement.org/> 1-877-908-2227.
- American Association of Retired Persons (AARP): <http://aarp.org> 1-800-209-8085
- Note: You must ensure the borrower is receiving counseling from a counselor on the FHA Roster, else the counseling would be considered invalid. Click on this link to verify an approved counselor. [https://entp.hud.gov/idapp/protect/hecm\\_cnslr\\_look.cfm](https://entp.hud.gov/idapp/protect/hecm_cnslr_look.cfm)

## **Verifications**

### 3.16 **CAIVRS/LDP/GSA Checks**

- Check ALL the borrower(s) names and ALL AKA names found as well as the interviewer name against the CAIVRS, LDP and GSA sites to ensure that they are not on such lists. Be sure to look through the entire file to see if any document provided by the borrower contains any other names for the borrowers than what was listed on the application or found on other vendor pulled document. Credit reports do list AKA names, but that list may not be complete.
- If any borrower is listed on CAIVRS/LDP/GSA website, he/she is not eligible for an FHA loan. Additionally, please be sure to print the entire list since it is fairly short and highlight/circle the borrowers names if found.
- The GSA check can be performed at <http://www.epls.gov> and the LDP check can be performed through either by navigating through the FHA connection or directly through HUD's website within the FHA Approval Lists page under Single Family Origination at: <https://www5.hud.gov/Ecpcis/index.html>).

### 3.17 **Birth Date Verification and Photo Identification**

- Evidence of birth date from a verified source must be present in the file such as a driver's license or ID card, passport, birth certificate, military ID or other official military paperwork.
- Driver's license can be provided as both birth date verification and photo verification (although HUD no longer requires photo identification; only DOB verification is required).
- Please ensure that the borrower(s) is at least 62 years of age.

- An under minimum age borrower may apply for the loan within 6 months of meeting the age requirement, but may not sign any closing docs until the minimum age requirements is met.

### 3.18 **Social Security Verification**

- Social Security numbers must be verified on all borrowers. The following are acceptable forms of verification:
  - Copy of the borrower(s) social security card. When examining the social security card, ensure that the letters B or D are not printed after the social security number. The letters B or D indicate a deceased borrower and another borrower (spouse) is receiving benefits under that social security number. It may not be the borrower's social security number, but the number of a deceased spouse.
  - Copy of the borrower's Medicaid card. Make sure that the card shows the borrower's number. If the number has the letter "A" in front of it, the card shows the borrower's social security number. Any other letter means that the card shows someone else's social security number.
  - Social Security statement with full social security number. Recent statements may not have the full number.
  - Driver's license with full social security number. Remember, even in states where this is allowed, the state offers the option to use another number in its place or omit that number.
  - Written verification from the Social Security office. The lender must accept only a certification document that includes a seal or stamp of the social security office. The certification document must be signed and dated and written on the social security office letterhead. FHA will not accept letters without verification that it came from the social security office.

**Important:** According to HUD, if there are multiple social security numbers found on the credit report, or that appear within the file, you have to verify with the social security office which number was truly issued. A verification bureau may be run to satisfy this requirement.

If Social Security Number verification is required on a loan and verification from Social Security office is not provided then Sun West requires wet signed SSA-89 form for SSN Verification. Electronic signature will not be accepted on SSA-89 form.

## **Property**

### 3.19 **Borrower Occupancy and Ownership Eligibility**

- For a HECM refinance, a borrower must occupy home as principal residence (live in home at least 6 or more months of the year) and at least one homeowner must be residing in the home at the time of closing for a refinance.
- For HECM purchase transactions the HECM mortgagors must occupy the property within 60 days from the date of closing.
- Strong evidence and documentation for intent to occupy is required as per HUD guidelines.
- Verified by the information entered on the 1009 and by utility statements, etc.
- When prospective mortgagors under the HECM Purchase program intend to retain their existing home as a rental property, then they must have sufficient income\* to:
  - Maintain the costs associated with the new home finance with the HECM Purchase (taxes, insurance, maintenance);
  - Satisfy the monetary investment for HECM purchase transaction; and

- Continue to make the mortgage payment and tax insurance payments on the existing mortgage

\*To meet this requirement DTI should not exceed 50%. For a HECM purchase the DTI consists only of the PITI+HOA dues of the current residence and the TI+HOA dues on the subject property, it does not include non-mortgage revolving/installment debt found on the credit report.

Following table represents the allowable sources of income and supporting documentation required:

Income Type	Documentation Needed to Qualify
For W-2 Wages Only	<ul style="list-style-type: none"> <li>• 4506-T</li> <li>• 2011 W-2 (s)</li> <li>• 1 month of pay stubs</li> </ul>
For Income other than W-2 wages	<ul style="list-style-type: none"> <li>• VOE</li> <li>• 4506-T</li> <li>• 2011 Income Documentation</li> <li>• Full tax returns for 2010, 2011 and supporting documentation</li> </ul>
For Retirement Income	<ul style="list-style-type: none"> <li>• Copy of most recent retirement award letter; or</li> <li>• 2 months bank statements reflecting direct deposit of the retirement income; or</li> <li>• Last 2 years tax returns reflecting the retirement income claimed;</li> </ul> And <ul style="list-style-type: none"> <li>• Documentation supporting continuance for next 3 years (<i>not applicable for social security income</i>)</li> </ul>
Self-employment Income	<ul style="list-style-type: none"> <li>• Minimum two- year self-employed income with business tax returns.</li> <li>• <i>If the borrower's self-employment income analysis reveals a decline in income by 10% to 20%, the most recent year's income will be used for qualifying purposes.</i></li> <li>• <i>A decline greater than 20% or a continual decline from previous years is not acceptable.</i></li> </ul>

SWMC will NOT accept projected rental income from the current residence nor the subject property (if a 2-4 unit property) when calculating the DTI. SWMC will only accept rental income on investment properties that the borrower already owns and has already been reporting rental income on the tax returns.

### 3.20 Debt Payoff

- Existing mortgage must be paid off before or at closing.
- If HECM to HECM refinance, the current HECM to also be paid off at closing
- \*Please note that for properties located in Texas, a year must pass between cash-out refinances.
- HECM must be 1<sup>st</sup> mortgage, but can be used to pay off existing debt.
- Verified by the prelim title and original
- All outstanding or unpaid obligations incurred by the prospective mortgage, in connection with the HECM transaction are to be satisfied at closing.
  - Loan proceeds may be used to satisfy outstanding payment obligations associated with a land contract, contract for deed or other similar purchasing arrangements that will ensure the property, which will be used as collateral for the HECM, meets FHA's title requirements.

Note: The HECM loan is now currently available as a purchase product. However, there are also certain instances, when approved by HUD, where a borrower can "Buy out" another party's limited interest in the property as a refinance. For example, the legal interest of an ex-spouse through a divorce decree, the land owner if the borrower is leasing the land, etc.

### 3.21 **Eligible Properties**

- Single Family/Two to Four Units
  1. Home must be a single family, 1 to 4 unit, owner occupied dwelling
  2. If 2-4 Units a Hotel/Motel form must be completed
  3. Home must meet FHA minimum property standards (**HECM** loan may be used to make required repairs if the cost is within the program limits).
  4. Verified by FHA Minimum property standard guidelines
  
- Condo
  1. If condo, the subject property must be on FHA approved list.
  2. Spot condo approvals may only be done if the FHA Case was assigned prior to February 1, 2010. After this date, condo spot approvals are no longer valid and only fully FHA approved condos be accepted.
  3. If a condo project is not approved, then all required condo documents as per ML 09-46b must be submitted to the applicable HUD HOC for HRAP approval processing. DELRAP processing is available if the current HRAP processing turnaround time exceeds more than 30 days and an attorney opinion letter is provided.
  4. As of December 7, 2009, the right of first refusal is permitted for all condo projects (forward or reverse mortgage loans) unless it violates discriminatory conduct under the Fair Housing Act regulation at 24 CFR part 100.
  5. HUD will not accept recreational leases, including common lease associations located in Florida.
  
- Manufactured Housing
  - Manufactured homes are eligible if they meet FHA standards, including, but not limited to:
    - Borrower owns land beneath the home, and
    - Home is permanently affixed to a foundation
    - An Engineering Certification is required to verify that the home was built on an FHA approved permanent foundation as the home must be permanently affixed to a foundation in accordance with the manufacturer's requirements for anchoring, support, stability and maintenance. The foundation system must be appropriate for the soil conditions for the site and meet local and state code.
    - Home was built after June 15, 1976 (and has a sticker to indicate so on the manufactured home itself-verified by the appraiser-see appraisal section for more information) and conforms to the Manufactured Home Construction Safety Standards.
    - Must be a double wide and be at least 12 feet wide and have a minimum of 600 square feet of gross living area.
    - Individual manufactured housing units in approved condominium projects are eligible for FHA insurance.

All manufactured housing condominium project (MHCP) approval requests must be submitted to the jurisdictional Homeownership Center (HOC) for review and approval (using HRAP) and may not be processed as site condominiums. MHCPs are ineligible for DELRAP processing.

All outstanding and current FHA Manufactured Housing individual unit requirements remain applicable for both Home Equity Conversion Mortgages (HECM) and forward mortgages, including elevations in flood zones and foundation requirements.



- Manufactured Homes on a Leasehold Land are permissible if they meet FHA guidelines.

**Planned Unit Development**

HUD no longer requires approval of a PUD as a precondition for placing the FHA mortgage insurance on dwelling located in the development, thus no PUD cert. Further, FHA will no longer maintain a list of approved Planned Unit Developments (PUDs). Although the PUD approval requirements have been eliminated, FHA will continue to require the attachment of the PUD Rider.

Please note that from a loan purchasing perspective, SWMC will not purchase the loan until the PUD rider is signed (if the subject property is a PUD).

**Mobile Homes/Cooperatives**

- o Mobile Homes are **NOT** eligible.
- o Cooperatives are **NOT** eligible.

**HECM for Purchase**

- o Newly constructed principal residence where a Certificate of Occupancy or its equivalent has not been issued by the appropriate local authority. The construction must be completed.
- o Boarding houses and bed and breakfast establishments are **NOT** eligible.

**Leasehold**

To be eligible under the HECM, the mortgage must be on a property held in fee simple, or under a lease for no less than 99 years that is renewable, or under a lease having a remaining term of not less than 50 years beyond the 100<sup>th</sup> birthday of the youngest borrower.

### 3.22 **Occupancy and Seasoning**

Currently, HUD does not have any requirements for occupancy seasoning or ownership ageing. However, SWMC requires that the borrower(s) have been on title and lived in the property for a minimum of twelve months.

In this respect, SWMC specifically discourages investor flips; and if allowed at the discretion of SWMC; the value will be pegged at the investor's purchase price of the property. If the Investor is the Builder of the property, we treat it just as in case of a regular investor flip.

On HECM purchases, prospective mortgagors should be alert to efforts to coerce them into obtaining a reverse mortgage as part of a purchase contractual obligation, or purchasing a distressed home in need of substantial repairs but being sold at or above market rate.

HECM lenders must take steps to ensure that:

- a) only current owners of record may sell properties that will be financed using FHA-insured mortgages;
- b) any resale of a property may not occur 90 or fewer days from the last sale to be eligible for FHA financing; and c) for resale that occurs between 91 and 180 days where the new sales price exceeds 100% of the previous sales price, FHA will require additional documentation validating the property's value.

Lenders providing HECM financing for purchase transactions must comply with guidance provided in [Mortgagee Letter 2006-14](#).

To be eligible for a FHA insured mortgage (including a full doc refinance, a purchase, or a reverse mortgage) the subject property must be the principal residence of the prospective borrower. A principal residence is a property that is occupied by the borrower for the majority

of the calendar year (HUD 4155.1: 4.B.2.a-b). As a part of its due diligence, SWMC will evaluate the loan file and other documents available with respect to the borrower (e.g., the borrower's credit report, driver's license, the hazard insurance policy for the property, and tax and utility bills etc.) to determine if there are any inconsistencies. Here are some examples of inconsistencies that could raise red flags:

1. Other addresses reported on the borrower's credited report are recent and frequent.
2. Additional mortgages are reported on the borrower's credit
3. Addresses on the borrower's driver's license, the hazard insurance policy, the tax bill, the mortgage statement or any other document are not consistent.
4. The borrower owns multiple properties.

SWMC will utilize various resources (such as Lexus Nexus report, SiteX report, deed of trust(s) of the other mortgages appearing on the borrower's credit etc.) to investigate all of the other reported addresses. If, after conducting its review of the applicable loan file, SWMC determines that there is not sufficient documentation to make a definitive conclusion, then SWMC may request for one or all of the following additional documents:

1. The IRS tax transcripts obtained through a 4506 showing the subject property as the 'Home Address'
2. Latest SSN Benefit Statement showing the subject property address
3. The most recent SSA 1099 showing the subject property address

In order to expedite the origination process, SWMC directs its loan originators to be aware of the above red flags and, if an occupancy red flag is present, to submit a copy of the additional documents listed above together with the loan file. This will help to eliminate delays in closing. If one and/or all of the above documents fail to satisfactorily mitigate the occupancy concerns, then SWMC may, at its discretion, order the occupancy inspection on the subject property and other properties owned by the borrower. The cost of the occupancy inspection(s) can NOT be charged to the borrower and shall be borne by our broker/correspondent partners. In all circumstances, Sun West reserves the right to decline any loan for approval or purchase.

Notwithstanding the foregoing review by Sun West, the Broker or Correspondent submitting the loan to Sun West, as applicable, remains fully responsible for all occupancy deficiencies. If after closing or purchasing an FHA insured loan, Sun West, HUD or any other regulatory body, or any investor, determines that the borrower of a FHA insured loan did not copy the property in accordance to FHA or other applicable guidelines, the loan shall be deemed a Problem Loan and Sun West shall pursue all of its rights and remedies under its agreements with the Broker or Correspondent that submitted the loan, including, but not limited to, requiring the Broker or Correspondent to repurchase the loan and indemnify Sun West for all losses incurred.

### 3.23 **Disaster Area Policy**

- If the subject property is located in a FEMA declared Natural Disaster and the appraisal was completed on or before the Natural Disaster Incident Period End Date, an Appraisal Update Report (1004D) completed by the original FHA Approved appraiser must be submitted with the Loan File.
- If there is any damage to the property, the repairs must be completed prior to SWMC purchasing the loan or through eligible repair set asides documented in the section above.

- If the appraisal was completed after the Incident Period End Date, a full appraisal with an exterior and interior inspection must be submitted.

### 3.24 **Appraisal Guidelines**

- For appraisal review and detailed appraisal review guidelines, please refer to HUD Handbook 4150.2 which may be found at <http://www.hudclips.org>. However, these are the forward guidelines, so if the HUD HECM Handbook 4235.1 specifically mentions different guidelines, then those supersede for HECM loans. Additionally, mortgagee letters must be referenced as they signify and represent changes and updates to both the handbooks. The link to the mortgagee letters is as follows: <http://www.hud.gov/offices/hsg/mltrmenu.cfm>.
- Mortgagees (Full Eagles) may order the appraisal from any AMC or Appraiser.
- Please ensure that the appraisal is not ordered from the SWMC Appraiser exclusionary list. This list is available in the "Help" Section when you are logged in to SunSoft.
- The appraisal may also be ordered through SunSoft using the Vendor Order button (Refer to section 12 of this guide). You would be needed to provide yours or the borrower's credit card information along with the billing address and CVV number to enable SWMC to process the payment and order the appraisal.
- The appraisals are effective for only 120 days. The underwriter at their option may decide to extend or update an appraisal if the loan does not close within this period. A brand new appraisal would be needed if the appraisal has already expired.
- The appraisal must have been dated after the counseling date, both the assigned and effective date.
- Please verify that the correct property type is indicated on the appraisal and that the appraisal is printed on the correct form depending on such property type.
  - Uniform Residential Appraisal form (FNMA Form 1004 March 2005); or
  - Small Residential Income Property Appraisal Report (Form 1025), or
  - Individual Condominium Unit Appraisal Report (FNMA Form 1073 March 2005)
  - Manufactured Home Report (FNMA Form 1004C March 2005)
- For HECM loans, the appraisal must not have been used for any other transaction, like the purchase of the home, etc. as re-using an appraisal is strictly prohibited by HUD.
- All FHA loans (including HECM) must be performed by FHA approved appraisers from HUD's FHA approved roster/list and done according to FHA standards.
- Please ensure that the basic information is correct such as the Borrower Name, Owner of Public record, Occupancy, Assessor's Parcel Number, Property Address, Property City, Property State and Zip code. This information should match the subject property on the 1009 and Title Report.
- Check Signature, date and license info from appraiser.
- Check required termite/wood destroying organism or other required inspections.
- Check if there are any health and safety repairs.
- The appraisal submitted to us must be in color.
- As per HUD, interior photos are not required. However if SWMC has a doubt on occupancy then SWMC may ask the appraiser to provide the interior photographs.
- As per HUD guidelines income producing farms are not acceptable to HUD.
- SWMC will not insure any loans within a mobile home park where there are still remaining leased land properties until the development is completely converted as all the leased land must be sold.
- Subject property is ineligible if it is located at the superfund site where clean up of the site has not started.
- Commercial space must not exceed 25% of the total gross living area for any type of residence, including a condo.
- Fannie Mae form 1004MC is required on all the appraisals.
- **Selection of Comparable Sales and Listings for Analysis:**
  - Closed sales data should not exceed six months between the effective date of the appraisal report and the documented sale date of the comparable, and may

- not exceed twelve months for comparables #1 through #3. An explanation should be provided for any sale dates in excess of six months.
- Closed sales over one year are permitted only as “additional comparable sales” and must be identified as comparable sale(s) 4 or greater in the report. If there are no closed comparable sales within the prior twelve months, the appraiser should promptly inform SWMC Vendor Orders Team and seek clarification on whether to complete the assignment.
  - Any comparable sales or listings greater than 1 mile from the subject property must be thoroughly explained.
- **Sales Grid Adjustments:**
    - Only those features or amenities that are accepted as value-influencing factors warrant adjustments. A comment as to the basis for all adjustments applied in the report is required as pertains to how the adjustments are market based.
    - Adjustments should not exceed 10% for line items, 15% for Net adjustments, or 25% for Gross adjustments. Any adjustments exceeding these guidelines require detailed commentary with satisfactory explanation.
    - Across the sales grid positive or negative adjustments are not acceptable. If a noted difference between the subject property and a comparable cannot be bracketed, then a thorough explanation should be provided.
  - **Manufactured Homes Form 1004C:** At least two primary comparable sales must also be manufactured homes.
  - **Condominiums Form 1073:** One closed sale comparable should be from the subject property’s same project. If no data is available this must be thoroughly explained. One closed sale should be from a similar competing condominium project, even if distance or date of sale guidelines are exceeded.
  - **Unique Properties:** If the subject property is a log home, or an atypically small home, has lower than normal ceiling heights, etc., the appraiser should promptly inform SWMC Vendor Orders Team and seek clarification on whether to complete the assignment.
  - **Excess Land / Properties with atypically large acreage:** If the subject property includes excess land (site area larger than typical in the subject neighborhood), the appraiser should describe any excess land and not assign value. In this instance, the appraisal report may be based upon a hypothetical condition as to the site area required for the proper utility of the residence. Commentary as to the subject’s legal description, highest and best use, and the site area considered in the valuation process is required.
  - **New Construction Properties:** Appraiser may use appropriate builder closed sales, pending sales and listings in the Comparison Analysis. However, at least one re-sale comparable sale should be included. If no such documented closed sale is available a detailed explanation must be provided.
  - **Repairs:** The appraiser should provide an accurate list and photographs of all the repairs that are required to be completed along with an “Estimated of Cost to Cure.”
  - **Accessory Unit/Accessory Dwelling Unit:** Any Accessory Unit, Accessory Dwelling Unit, Mother-in-law unit, Guest Quarters, etc. should be shown separately on the Sales Comparison Grid and depicted accurately in the building sketch. These units should not be included in the Gross Living Area of the main dwelling. The current use (i.e. rented, vacant, owner personal use etc.) of these units must be described. If these units are rented, it must be noted if the local zoning code allows the Accessory Unit, Accessory Dwelling Unit, Mother-in-law unit, Guest Quarters, etc. to be rented and legally generate income.
  - **Additions/Conversions:**
    - Reports are to include accurate descriptions, photographs and a building sketch of all improvements on the subject property site. If there are additions or conversions to the subject property not indicated in public records, please state whether these additions/conversions are permitted.
    - For Conventional Appraisal Reports; permitted additions/conversions completed in a workman like manner may be assigned value if they conform to zoning regulations and highest/best use analysis. Adjustments for these features should be supported in the sales comparison analysis.

- For FHA/HUD/VA Appraisal Reports; additions/conversions completed in a workman like manner and meeting HUD Minimum Property requirements may be assigned value if they conform to zoning regulations and highest/best use analysis. Adjustments for these features should be supported in the sales comparison analysis.
- **Comparable Sale Photos:** For FHA reports, photos depicting the front view of each comparable sale utilized must be the original photos taken by the appraiser. Use of MLS photos to exhibit comparable condition at the time of sale is acceptable; however, the appraiser must include their original photos as well to fulfill documentation for Scope of Work requirements.

### 3.25 **Repair Set-Asides**

- Ensure that proper set-asides have been calculated on properties requiring repairs.
- On the appraisal, if the appraiser checks "subject to the following repairs or alternations on the basis of ..." the property is subject to repair. The suggested repair items can be found in the Reconciliation section and Additional Comments section. Repairs suggestion can also be found on the Improvement section on page 1.
- The repair set-aside amount is based on the bid received for the work to be completed. If the bid is provided by the professional contractor, 150% of the estimated cost of repairs plus the repair administration fee must be set aside at closing. If appraiser's cost to cure is used for repair set aside, 200% of the estimated cost of repairs plus the repair administration fee must be set aside at closing.
- If the appraiser's estimated cost to cure for the repairs is more than \$4,000, a bid from the professional contractor is mandatory.
- You should have collected either \$50.00 or 1.5% of the total Repair set-aside amount, whichever is greater, for the repair administration fee. Please note: This amount would need to be disclosed on the GFE once the appraisal has been received to be eligible as a changed circumstance.
- Repairs in excess of 15% of the Maximum Claim Amount (up to 30%) must be completed prior to funding.
- You must complete at least enough repairs to reduce the bid to less than 15% of the Maximum Claim Amount. Then, you may escrow for the rest.
- Repairs less than 15% of the Maximum Claim Amount may be escrowed and completed after closing at the request of the borrower.
- A repair greater than 20% must also need to be completed prior to closing but as mentioned above must first have HUD's pre-approval.
- For the repair work that is not included in the repair set-aside calculation (the repair work is minor, such as strapping in a water heater), there is a Compliance Inspection Report (CIR): Appraiser returns back to the subject property and verifies that all the repairs have been done.
- In addition to CIR, if you have accepted Lender Certification (Lender Cert), then ensure that the Lender Cert is duly completed and signed. The Lender Cert basically has the same functionality of CIR, but the inspection is done by the Seller instead of the appraiser.
- Repairs must be completed within six months from the date of closing.
- We want our borrowers to obtain the highest quality of service from both SWMC and our Seller. This can only be done if our Seller is constantly involved in the post funding activity. Customer satisfaction can only be achieved by both of our commitment to service our clients. Therefore, there will be a hold back on the file if repairs are outstanding.

### 3.26 **Hazard Insurance**

- Hazard insurance is required for all mortgage loans purchased by SWMC and must protect the property against loss or damage from fire and other standard threats.
- When funding a loan, the Hazard Insurance must cover the lesser of the Replacement Cost or the Principal Limit.

- During servicing, when the Hazard Insurance is being renewed, the coverage must cover the lesser of the Insurer’s Replacement Cost or the Principal Limit.
- A copy of the valid existing insurance policy with a due date not less than 4 months from the funding date with proof of payment is required.
- All loans being purchased by SWMC must contain an executed copy of the hazard insurance transfer request in the loan file. A sample letter is shown below the Mortgagee Clause.

**Mortgagee Clause:**

Sun West Mortgage Company, Inc.  
 Its Successors and/or Assigns  
 P.O. Box 7083  
 Troy, MI 48007-7083

Please ensure that the loss payee clause for hazard insurance states our name fully as per the above with no abbreviations other than the “Inc”. However, in states where **SWMC** has a name variance (due to licensing) the name on our loss payee clause should also contain that particular name variance. For your convenience, the states where we currently have a name variance are listed below:

State	Name in State
AZ	Sun West Mortgage Company, Inc. (FN)
CT	Sun West Mortgage Company, Inc. d/b/a Mortgage Possible
NE	Sun West Mortgage Company, Inc. d/b/a Cal State Funding, Inc.
NM	Sun West Mortgage Company, Inc. d/b/a Sun West Mortgage USA, Inc.
UT	Sun West Mortgage Company, Inc. d/b/a Sun West Mortgage USA Company, Inc.

The Loss Payee clauses are also updated on the SWMC website at [http://www.swmc.com/swmc/correspondent\\_lender/mortgage/mortgage\\_clauses.php](http://www.swmc.com/swmc/correspondent_lender/mortgage/mortgage_clauses.php).

**Sample Executed Copy of Hazard Insurance Transfer Request**

**[Name of Seller]**

Date: **MM/DD/YYYY**

Loan No.: **[Seller's Loan No.]**

[Name of Insurance Company and mailing address]

**ACME INSURANCE CO.  
P.O. BOX 99999  
SANTA ANA, CA 92799-5443**

HAZARD INS. POLICY NO: **CHH0132570**

Borrower's Name : **John Doe**  
Property Address : **99 ABC STREET, LAKEWOOD, CA 90713**

Please issue your Lender's Loss Payable Endorsement 438FU for the above captioned policy as follows:

Sun West Mortgage Company, Inc.  
Its Successors and/or its Assigns

**18303 Gridley Road  
Cerritos, CA 90703**

Investor Loan No: **[SWMC Loan NO]**

The Endorsement should be mailed to **Sun West Mortgage Company, Inc.** as soon as possible. Please direct all future billings and renewals to the above named mortgage.

Sincerely,

Loan Closer

### 3.27 **Title Insurance**

- The Prelim may be dated before the counseling date and the borrower still may be charged for the title insurance fee.
- Require full ALTA policy, State policy when customary, but no abbreviated forms.
- The Master Title Underwriter must be approved by SWMC. Please refer to [http://www.swmc.com/swmc/correspondent\\_lender/mortgage/approved\\_master\\_title\\_underwriters.php](http://www.swmc.com/swmc/correspondent_lender/mortgage/approved_master_title_underwriters.php) for a list of Approved Master Underwriters.
- The Title expires if it is older than 90 days.
- The Prelim should be checked for the accuracy of the property address. If there is any discrepancy, then the Zip code lookup should be run.
- Each policy must be for the complete subject property, utilizing the proper legal description.
- The effective date of the title insurance may be no earlier than the later of the date of the final disbursement of loan proceeds or the date the mortgage was recorded.
- The Seller must hold first lien position and the mortgage clause must include the phrase "its successors and/or assigns as their interests may appear".
- The minimum amount of title insurance coverage is the maximum claim amount.
- The title commitment should indicate all required endorsements to be included with the final Title Policy and should insure clear title. Any exceptions must be cleared prior to closing.

Generally, the following counter-signed endorsements will be required by SWMC as appropriate for the product or property type:

- a. ALTA Form 4 / Condominium Endorsement
  - b. ALTA Form 5 / PUD Endorsement
  - c. ALTA Form 6 / Variable Rate Endorsement
  - d. ALTA Form 7 / Manufactured Home Endorsement
  - e. ALTA Form 8.1 / Environmental Lien Protection
  - f. ALTA Form 9 / Restrictions, Encroachments and Minerals
  - g. ALTA Form 14.3 / Future Advance Reverse Mortgage
  - h. ALTA Form 28-06 / Easement – Damage or Enforced Removal
  - i. Additional state specific endorsements, as required in the subject state
- No Survey Exceptions - A copy of the Survey or Plat Map must be provided with the title work unless the mortgage loan is covered by a master title insurance policy which insures against loss due to survey-related matters.
    - A copy of the previous survey may be used with a survey affidavit.
  - If the property is in a trust's name, trust documents must be in the file.
    - All the owners of the trust must on the title. If they are not on the title, a quit claim deed is required.
  - If there are any typos in the borrower names within the vesting, then a title supplement with the correct spelling of borrowers name or whatever needs to be corrected needs to be provided.
  - Order demands for all tax liens & judgments
  - Order payoffs (or zero-due letters) for all mortgages on title
  - Owner's Title Policy is not allowed to be paid by seller on HECM Purchase loans.

### 3.28 **Geographic Restrictions**

Please refer to the overlays at the start of the seller guide for any such restrictions.

## **Credit**

### 3.29 **A HECM Loan must be repaid or is due and payable when:**

- The last surviving borrower dies, sells or permanently moves away
- The last surviving borrower moves to a nursing home for 12 consecutive months
- The borrower fails to pay the property taxes and insurance on time.



- The borrower fails to keep the home maintained and repaired. However, most generally, the lender has the option of paying for these expenses by reduces the borrower's loan advances and using the difference to pay for these obligations.
- A reverse mortgage also has an "acceleration clause" that may make it due and payable. Generally, these relate to changes that affect the security of the loan for the lender such as:
  - i) Renting out part or all of the home
  - ii) Adding a new owner to title
  - iii) Changing the home's zoning class
  - iv) Taking out new debt against the home

### 3.30 **Credit Report**

- The Credit Report must be dated after the counseling date.
- The credit report should be pulled as joint for borrowers that are married to each other (co-borrowers), else individual credit reports should be pulled for borrower not married to each other (co-applicants).
- The credit reports should not be more than 120 days old at the time of closing.
- Check the credit report for any differences in the names, social security number or address between the 1009 and the credit report.
- If there are multiple social security numbers or AKA's appropriate CAIVRS and SSN verification must be done on all social security numbers listed on the credit report. Additionally, a consent form must be signed by the borrower prior to verifying the SSN in case of multiple social security numbers found in the file.
- According to HUD, if there are multiple social security numbers found on the credit report, you have to verify with the social security office which number was truly issued.
- The credit report must be a tri-merge credit report (from all 3 credit bureaus). However, FICO/credit scores have NO consideration for HECM loans, thus you do not need these scores.
- Bankruptcy documents to show proof of discharge are not required. HUD only requires that the credit report shows that the bankruptcy is discharged. If the credit report has not yet been updated, only then will bankruptcy/discharge papers be required.
- Check the credit report for public records of any federal or government unpaid liens, judgments and collections. This can be found within the Public Records section of the credit report. These will need to be paid at closing and may be paid with the HECM.
- The "Credit Report Authorization & Release" disclosure must be signed prior to ordering the credit report, because it authorizes us to order a credit report. If unsigned, we do not have authority to order the credit report.
- If the borrower is on bankruptcy (not discharged), then reverse mortgage is only permitted only if the court approves it.
- A credit report, which complies with HUD Handbook 4155.1, is required on a non-purchasing spouse residing in a community property state or when a property to be insured is located in a community property state.

### 3.31 **Federal Debt**

If the borrower, as revealed by public records, credit information, or HUD's Credit Alert Interactive Voice Response System (CAIVRS), is presently delinquent on any Federal debt (e.g., VA-guaranteed mortgage, Title I loan, Federal student loan, Small Business Administration loan, delinquent Federal taxes) or has a lien, including taxes, placed against his or her property for a debt owed to the U.S., the borrower is not eligible until the delinquent account is brought current, paid, otherwise satisfied, or a satisfactory repayment plan is made between the borrower and the Federal agency owed and is verified in writing. Lenders may not rely upon a clear CAIVRS approval when in possession of independent evidence of delinquent federal obligations and must document the resolution of any conflicting information. If the lender has reason to believe the CAIVRS message is erroneous or needs to establish the date of claim

payment, the lender must contact the appropriate HOC for instructions or documentation to support the borrower's eligibility.

### 3.32 **Sources of Funds**

- If the borrower has to bring cash to close the loan, then Sun West needs proof for the required source of funds. The acceptable proof for the sources of funds are
  - VOD
  - Bank Statements
- HECM mortgagors must use cash on hand or cash from the sale or liquidation of the mortgagor's assets for the required monetary investment. The monetary investment requirement can also be met by the use of approved funding sources as defined in HUD Handbook 4155.1 REV-5, section 2-10, with the exception of the following funding sources which may not be used:
  - Sweat Equity
  - Trade Equity
  - Rent Credit
  - Cash or its equivalent, in whole or in part, from the following parties, before, during or after loan closing:
    - The seller or any other person or entity that financially benefits from the transactions, or
    - Any third party or entity that is reimbursed, directly or indirectly, by any of the parties described in the previous bullet.
- Examples of allowable funding sources:
  - Cash (on-hand or from bank account)
  - Cash from sale of assets
- Examples of Non-Allowable Funding Sources
  - Seller contributions (seller concessions)
  - Loan discount points
  - Interest rate buy downs
  - Closing cost down payment assistance
  - Builder incentives
  - Gifts or personal property given by the seller or any other party involved in the transaction.
  - Credit Cards or Collateralized loans are not permitted for evidence of funds to close
  - Borrowing against household goods and furniture,
  - Unsecured signature loans and other similar unsecured financing.

### 3.33 **IRS 4506-T:**

IRS 4506-T: SWMC requires the form be signed by all borrowers irrespective of their employment status. The form must be valid at the time of submission of closing package to SWMC.

## **Payment Options and Loan Limit**

### 3.34 **Payment Options**

Approved borrowers may select from 5 payment options in case of Variable Rate HECMs:

- Tenure: Equal monthly payments from the lender for as long as at least one borrower remains living in the home.
- Term: Equal monthly payments (or cash) advances) over a specified number of months (for example 120 months or 10 years).
- Line Of Credit: Cash on Demand until it is exhausted (just like a home equity loan) also includes lump sum initial advance.
- Modified Term: Combination of a Term and Line Of Credit.
- Modified Tenure: Combination of a Tenure and Line Of Credit.

Note:

- Borrowers may also change between these payments options during the loan term. The maximum charge for each change is \$20.
- Open Ended fixed HECM is not allowed by SWMC. The Borrower would need to take all cash out at closing.

### 3.35 **Nationwide Loan Limit**

- The new Nationwide loan limit is \$765,600 (effective cases assigned on or after Jan 1, 2020). For cases assigned on or after Jan 1, 2019 till Dec 31, 2019, the maximum claim amount will be \$726,525.

## **Trusts**

### 3.36 **Trusts**

- Trusts must be underwritten as per HUD guidelines outlined in the Handbook 4235.1
- HUD will insure HECMs on a property held in the name of an inter vivos also known as a living trust that is effective during the Settlor's lifetime. In general, a living trust is created during the lifetime of a person (as opposed to a testamentary trust which is created by the person's will after his/her death).
- A living trust is created when the owner of the property conveys his/her property to a trust for his or her own benefit or for that of a third party (the beneficiaries). The trust holds legal title and the beneficiary holds equitable title. The person may name him/herself as the beneficiary. The trustee is under a fiduciary responsibility to hold and manage the trust assets for the beneficiary. The trustee's responsibilities are set out in a trust agreement.
- Property held in a land trust is eligible for a HECM if the requirements for a living trust is met.
- All immediate or primary beneficiaries (settlers/trustors/grantors) currently holding the equitable interest and receiving all the principal and income of the trust must be eligible HECM borrowers at the time of origination and until the mortgage is released.
- Contingent beneficiaries, those that receive no immediate benefit from the trust nor have any control over the trust assets until the original settlor/trustor/grantor is deceased, need not be eligible HECM borrowers.
- The trust **MUST BE** revocable trust and not an irrevocable trust. In other words, if the home is taken out of the trust at some point, the borrower must be able to retain title to the home.
- The revocability of some trusts may change on the death of one of the borrowers or mental incompetence of a surviving borrower. If the trust becomes completely irrevocable upon the death of one borrower, it is not eligible. If the trust becomes partially irrevocable upon the death of one borrower and they are both still alive, this is acceptable. If the trust becomes partially irrevocable upon one's death, and one has since deceased, then we need to ensure that the subject property remained in the revocable side of the trust. In this situation, an attorney opinion letter will be required to ensure that the surviving borrower has the right to revoke 100% of the property. If the sole surviving borrower has become mentally incompetent and the right to revoke has not been granted to a designated agent in which there is a valid and enforceable POA, it is not eligible.
- If the property is in a trust and upon the death of a beneficiary (trustor/settlor/grantor), the trust splits or will be divided into multiple separate trusts (some split into 2 and some into 3, etc.) then each divided portion of the trust would need to be reviewed and if any are now irrevocable, then we may have a problem with eligibility. Basically, the subject property must always remain in the portion of the trust that is completely revocable.
- If the vesting is vested into different portions of the trust (i.e., survivors trust, family trust and marital trust), they all must be revocable.

- If the vesting is vested into multiple trusts, we must receive a copy of each trust and the vesting must make up a 100% interest into said trusts. (i.e. 50% 50% or 40% 60% or 33.3% 33.3% and 33.3%, etc).
- The borrower must have all the rights to the assets of the trust until he or she is deceased. In the case of a couple, both persons listed in the trust must be eligible for the reverse mortgage transaction to proceed.
- The trustee must have the power to borrow money, purchase, construct, mortgage or encumber real property. This must be written into the trust as a trustee power.
- The subject property must be an asset of the trust or the power is granted to add additional property to the trust if the subject property is not already listed as an asset.
- It is acceptable to have a trustee whom does not meet the minimum HECM age requirement that is a son, daughter or other trusted advisor as long as the reverse mortgage borrower(s) is the grantor/settlor/trustor with full rights to the assets in the trust. However, it is the trustee that must sign the security instrument on behalf of the trust.
- A trustee cannot sign any of the loan documents on behalf of the borrower, only along with the borrower. Only a power of attorney or court appointed guardian can sign documents on behalf of the homeowner/borrower. The trustee only signs the security instruments on behalf of the trust.
- The trust must have been created in the same jurisdiction of the subject property or meet the laws of the state in which the property is located. For example, if the trust was originally written in State X, but the reverse mortgage borrower has since moved to State Y, an attorney opinion letter is required to verify that the trust that was created under the state laws of State X is legally binding and fully enforceable in State Y (where the subject property is located).
- The trust needs to be properly executed per state law. Some states require a notary or 2 witnesses in order to be considered legally valid.
- We do not accept unsigned or conformed copies. A fully executed copy is required.
- We must have a complete or entire copy of the trust including ALL pages, articles and amendments.
- Providing only a trust certification, abstract of trust, partial pages or providing only specific sections are NOT acceptable as we have to ensure that the entire trust, including all schedules and sections and the verbiage contained within, meets our minimum trust guideline requirements.
- Very rarely, and on a case by case exception only basis, we will accept a fully executed trust cert in lieu of a full trust if ALL of our trust checklist items can be verified by the cert provided (including who the immediate beneficiaries are) and if we are also provided with an attorney opinion letter that clearly indicates that per the local state law we can rely solely on a trust cert for loan purposes in lieu of a complete trust.
- If an eligible HECM mortgagor/borrower holds a life estate in the property that will serve as security for the FHA insured HECM, all holders/persons with a reversionary or remainder or future interest in that property must also execute the HECM mortgage. Thus, at closing, the borrower and all holders of any future interest in the property must execute the deed of trust (mortgage), any deed of trust riders, TIL and Right of Rescission. However, holders of future interest do not need to execute the note or any of the other loan documents as they do not have the rights to loan proceeds of the other mortgagors.
- The title company must provide full title protection (trust approval) without listing any exceptions with respect to the trust or has issued a trust endorsement.
- When a loan is vested in the name of the trust, the vesting must include the complete trust name including the trust creation date. This complete trust vesting name including creation date must be on DOT and signature lines.
- If the trust is amended and restated, the vesting will also need to include the verbiage "as amended and restated on" and the date in addition to the original trust creation date.

### **Conditions for Origination in the Name of a Living Trust**

- i) All beneficiaries of the trust must be eligible **HECM** borrowers at the time of origination and until the mortgage is released [i.e. borrower/beneficiary must occupy the property as a principal residence and new beneficiaries may not be added to the trust]. Contingent beneficiaries, that receive no benefit from the trust nor have any control over the trust assets until the beneficiary is deceased, need not be eligible **HECM** borrowers.
- ii) The trustee must sign the mortgage, and the mortgage must be signed by each borrower/beneficiary if necessary to create a valid first mortgage. The borrower/beneficiary must sign the Note and Loan Agreement. The lender may require the signature of the trustee on the Note or the signature of the borrower/beneficiary on the mortgage.
- iii) The trust shall not be a party to the Loan Agreement. The borrower/beneficiary may issue instructions to the lender to permit the trustee to exercise one or more rights stated in the Loan Agreement on behalf of the beneficiary; i.e. the right to receive loan advances or to request changes in the payment plan.
- iv) The lender must be satisfied that the trust is valid and enforceable, that it provides the lender with a reasonable means to assure that it is notified of any subsequent change of occupancy or transfer of beneficial interest, and ensures that each borrower/beneficiary has the legal right to occupy the property for the remainder of his or her life.

### **Transfer of the Property into or from a Trust**

- o The borrower under an insured HECM may transfer the property to a living trust without causing the mortgage to become due and payable if the lender finds that the trust meets all requirements that would have applied if the trust owned the property at closing. The lender may require the trust to formally assume the borrower's obligation to repay the debt as stated in the Note if considered advisable to avoid difficulty in enforcement of the Note and mortgage.
- o If the trust is terminated, or the property is otherwise transferred from an eligible trust holding the property, the mortgage will not become due and payable, provided that one or more of the original borrowers who signed the Note and Loan Agreement continue to occupy the property as a principal residence and continue to retain title to the property in fee simple or on a leasehold interest as set forth in HUD's guideline.

### **Closing Documentation**

#### **3.37 CPL**

- o The CPL from a SWMC Approved Master Title Underwriter must be included with the collateral package on all loans Underwritten/Funded by SWMC.
- o The loan is not eligible for purchase if the Master Title Underwriter is not on the Approved list. Please refer to [http://www.swmc.com/swmc/correspondent\\_lender/mortgage/approved\\_master\\_title\\_underwriters.php](http://www.swmc.com/swmc/correspondent_lender/mortgage/approved_master_title_underwriters.php) for a list of Approved Master Underwriters.
- o The Closing Agent must also not be on the exclusionary list compiled by SWMC and its Investors. This list is available on our website [www.reversesoftware.com](http://www.reversesoftware.com) under the Help section.
- o SWMC requires that all CPLs include the verbiage It's Successors and/or Assigns along with the name of the Correspondent.
- o CPL must be dated before the "Closing Date" but not earlier than 30 days before the closing date. The closing date is the date on which the notary acknowledges the Deed of Trust and not the date on which Note was drawn.
- o Additionally, please refer to the State Specific requirements in point 4.37 for Closing Agent / Attorney requirements in the state of New York.

#### **3.38 SWMC Policy on Non Borrowing Spouse and Non Borrowing Residents / Children**

- Effective for FHA case numbers assigned on or after 08/04/2014, Sun West is accepting HECM Loans with non-borrowing spouse. The loans must comply with all the requirements stated below:
  - The non-borrowing spouse can be under 62 years of age, provided that the borrower meets the HECM eligibility requirement of 62 years of age.
  - The principal limit will be based on the age of the youngest borrower and non-borrowing spouse. For example, if the borrower is 62 years old and the non-borrowing spouse is 55 years old, the principal limit will be based on the 55-year-old non-borrowing spouse.
  - The non-borrowing spouse must attend the HECM Counseling Session with the borrower and sign and date the HECM Counseling Certificate.
  - A proof of date of birth of the non-borrowing spouse must be submitted along with the application package.
  - The borrower and the non-borrowing spouse must sign the certifications at closing as required by the Mortgagee Letter 2014-07.
- Recorded call with Non Borrowing Residents (NBR):
  - SWMC requires that Non Borrowing Resident (regardless of whether or not he/she has already received counseling) are well informed prior to closing / loan purchase of their rights and obligations once the Reverse Mortgage becomes due and payable.
  - On loans which are not underwritten by SWMC, the correspondent should complete a compliance call with the NBR. The call must cover the following aspects:
    - Correspondent must inform NBR about the borrower’s Reverse Mortgage
    - Correspondent must inform the NBR about the rights and obligations once the Reverse Mortgage becomes due and payable.Below are some scenarios for reference. Please note that the calling script is just for reference purposes. Correspondents can call the NBR as per their own guidelines however all relevant aspects must be covered during the call:
    - If the NBR on title is quitting claim: “For Mr / Ms \_\_\_\_\_ (Borrower Name) to obtain a Reverse Mortgage, you have agreed to quit claim your title to the property to him / her. Although the reverse mortgage does not have to be paid back unless Mr/Ms \_\_\_\_\_ sells the home, moves, or unfortunately passes away, in such a situation you have an option to move out of the property without any obligation or may choose to payoff the mortgage balance due at that time to continue living on this property. Since you currently reside at this property, it is important that you are aware of these facts and are able to make appropriate arrangements should the loan become due and payable.”
    - If the NBR is not on title: “This reverse mortgage that Mr/Ms \_\_\_\_\_ (Borrower Name) is in the process of obtaining does not have to be paid back unless he/she sells the home, moves, or unfortunately passes away. In such a situation you have an option to move out of the property without any obligation or may choose to payoff the mortgage balance due at that time to continue living on this property. Since you currently reside at this property, it is important that you are aware of these facts and are able to make appropriate arrangements should the loan become due and payable.”
    - Any queries by the NBR regarding clarification on the implications of the Reverse Mortgage must be resolved by the correspondent.
  - Correspondent should upload the recorded call to Broker Inbox in SunSoft or send it to the SWMC Relationship Manager or Funder to upload in Broker Inbox.

- If the borrower refuses to let the correspondent speak with the NBR then the recording with the Borrower's refusal must be uploaded to Broker Inbox in SunSoft or sent to the SWMC Relationship Manager or Funder to upload in Broker Inbox.
- If there are any discrepancies identified with the recorded call submitted to SWMC then SWMC may decline the purchase request
- If SWMC Servicing department or Quality Control department, during their post purchase interaction with the borrower or non-borrowing resident, identify any discrepancies with the checklist or recorded call submitted to SWMC at the time of purchase by the Seller, the loan must be immediately repurchased by the Seller upon request from SWMC.
- On loans which are underwritten by SWMC, the SWMC underwriter will need to speak to the NBR about the implications of not including their name on the loan, as per above guidelines.
- A Non borrowing resident will need to sign the 'Notice to Non Borrowing Spouse or Resident' and 'Ownership Interest Certification' disclosures.
- The correspondent should speak to the Non Borrowing Children (the children of a prospective HECM borrower, who do not qualify for a HECM, but who currently reside on the real estate, or who are on the title for the real estate that will serve as the security for the FHA-insured HECM) to discuss the implications of not including their name on the loan. The entire conversation should be recorded and uploaded to Broker Inbox in SunSoft or submitted to SWMC Relationship Manager or Funder to upload in Broker Inbox.
- The correspondent should speak to the Non Borrowing Resident to discuss the implications of not including their name on the loan. The entire conversation should be recorded and uploaded to Broker Inbox in SunSoft or submitted to SWMC Relationship Manager or Funder to upload in Broker Inbox.

### 3.39 **Power of Attorney**

There are a few simple rules for a Power of Attorney.

- The POA must be complete and fully executed.
- The POA must be revocable.
- The POA document must be in effect at the time of loan application. If the POA expires, we must ensure that the loan will be able to fund prior to the expiration date.
- Please note that some POAs are not valid or do not go into effect until the principal becomes mentally and/or physically disabled. Thus, if the principal is still mentally competent, the POA may not be valid.
- If the principal is mentally incompetent, the POA must be durable. This means that the designated POA can sign and act on behalf of the principal if and when the borrower becomes disabled or incapacitated.
- If the principal is mentally competent, then the 1009, HUD/VA Addendum and Counseling Cert must be signed by the borrower. The principal/borrower and the POA must attend counseling and we need to be provided with a physician's opinion letter that the principal was mentally competent at the time the POA was executed.
- The reason that a mentally competent borrower is still required to attend counseling even when using a POA is that they still should fully understand what a reverse mortgage is before having their designated agent sign upon their behalf.
- In the instance in which you have a POA acting on behalf of an incompetent borrower and the POA wants to take the incompetent borrower off the title to the property or deed it from the borrower to themselves, you may need to obtain court approval in order to allow this to happen as some title companies will not allow this to occur, especially if the POA is doing so in a self serving manner.
- If the principal is mentally incompetent, ALL docs must be signed by the POA (including the 1009, HUD/VA Addendum and Counseling Cert), the POA must attend counseling, however the principal does not. We must be provided with a physician's opinion letter that the

principal was in fact mentally competent when the POA was executed and is currently incompetent now.

- If physically incapable (unless an amputee, complete blindness or severe issue prevents from signing even with a mark), the mentally competent but physically incapable borrower still must sign the 1009, HUD/VA Addendum and Counseling Cert even if this is with a symbol/mark and 2 witnesses and then the designated POA may sign the rest of the disclosures and/or closing docs on behalf of the borrower. But, if an amputee or other severe issue prevents the borrower from signing even with a mark for these 3 docs, then a physician's letter needs to be included that indicates the current mental status of the borrower as well as why the borrower physically cannot even sign the documents with a symbol or mark.
- It is recommended to have the title company review the POA documentation prior to loan closing. Sometimes instead of a POA, there will be a guardian or court appointed conservator that has been assigned to the borrower. If that is the case, then we must be provided with the complete copy of the guardianship/conservatorship papers and the court must approve moving forward with the reverse mortgage transaction.

### 3.40 **Locking a Fixed Rate HECM**

- To lock a loan in, the Lock Request form (available in SunSoft) must be filled out and sent it to Secondary Marketing at SWMC.
- If the borrower does not take a 100% initial draw where FHA case is assigned prior to 09/30/2013, the interest rate on the loan will automatically be 10%.
- If the borrower does not take greater than 60% of principal limit (in cases where the mandatory obligations are less than 50% of principal limit) or mandatory obligations plus 10% of principal limit as initial draw where FHA case is assigned on or after 09/30/2013, the interest rate on the loan will automatically be 10%.

### 3.41 **HUD 1 Requirements**

- For wholesale loans (TPO Loans for correspondent) YSP should be shown in the final HUD 1. HUD 1 is not acceptable if YSP is not shown for wholesale loan.
- Sales Commission on the estimated and final HUD-1 can never be more than 10% of the sales price. This is irrespective of the fact whether the commission is paid by the buyer or seller.
- If hazard / flood insurance policy is expiring within 45 days for HECM of funding date then full year of premium is required to be paid at the time of closing.

### 3.42 **Ordering Docs**

- If Sun West is Underwriting and Drawing Closing Documents, you must clear all Prior to Doc Conditions to be issued a clear to close.
- A doc request can be downloaded from the Sun West website at: [http://www.swmc.com/swmc/downloads/reverse\\_mortgage\\_doc\\_order.pdf](http://www.swmc.com/swmc/downloads/reverse_mortgage_doc_order.pdf) or you may also email the Relationship Manager on your loan and request one.
- The completed doc request can be submitted by faxing it to (206)222-2296.
- Turn Around Times
  - Doc requests received by 12PM PST will be completed by 6PM PST of the same day.
  - Doc requests received after 12PM PST will be completed by 12PM PST of the following business day.
- Please note the following:
  - For a doc request to be considered as complete the doc request must be signed and received and all Prior to Doc conditions must be resolved.
  - Reverse Mortgage loan docs are date sensitive, therefore docs must be signed the day they are dated. All reverse mortgage borrowers must sign the final document on this date and at the same location.



- Reverse Mortgage rates are released by the Federal government and are effective for a week of Tuesday thru Monday. Therefore, if a doc request is received for a signing date that is outside of the current rate effective week, docs cannot be released until the Monday afternoon (after 2 PM PST) immediately preceding the requested signing date.
- Document Fees
  - A \$115 Doc Prep fee payable to Bay Docs will be charged on all loans. Except for Texas and California, where a \$215 attorney fee is payable for Texas and no doc prep fee is charged for California.
  - If SWMC ordered the flood cert, a \$5 flood cert fee payable to Sun West Mortgage will be charged.
  - Only the HECM Allowable fees may be charged to the borrower as discussed in the earlier sections.

### 3.43 **Loan Closing**

Ensure that the loan is closed correctly using the following check points.

- Loan is closed in the name of the Seller in compliance with all applicable laws, rules and regulations.
- Loan was funded after the expiration of right of rescission. Regulation Z provides the borrower with the right of 3 rescission days (all calendar days except Sunday and legal public holidays) after signing the loan documents. The loan must be funded on the 4<sup>th</sup> business days after signing.
  - Please note that the three-day right of rescission period is not applicable to HECM for Purchase transactions. Therefore, all initial advances may be disbursed on the day of closing by the settlement agent. However, FHA encourages lenders to seek their counsel's opinion to assure compliance with Federal or State laws.
- Proper expected rate was used and that the principal limit lock did not expire
- All hazard and flood insurance premiums due within 90 days of funding must be paid at closing. See Hazard Insurance section for additional information.
- Make sure that all fees charged to the borrowers on the final HUD I are in compliance of HUD guidelines. Final HUD-1 must be in compliance.
- All property taxes are due within 90 days of closing are paid.
- Final HUD-1 is in compliance with the final disclosures and the final funding figures.
- Where there is a line provided for the borrower(s) initials in the Note or the borrower has initialed in the Note although there was no line provided for initials then all the pages including the signature page must be consistently initialed by the borrower(s).
- The Deed of Trust, Note and security instrument must include separate signature lines for the Trustee to sign on behalf of the Trust. If both or one of the borrowers are trustees, two distinct signature lines must be printed on the security instrument and closing docs for the borrower/s to sign as a trustee and the borrower individually. Note: Certain states require signature of lender representative on Notary Page of Deed of Trust/Mortgage, against verbiage 'Instrument Prepared By:' Lender representative must sign and mention his/her name in this section.
- Note endorsements: Seller must endorse the note stating:

Pay to the order of  
Sun West Mortgage Company, Inc.,  
A California Corporation

#### **Use of an Allonge for the endorsement of a Note:**

A Seller may use an allonge to endorse a Note if the following conditions are met:

- The allonge is permanently affixed to the note

- The allonge references Borrower's Name, the property address, the date of the Note, and the loan amount.

If there is more than one lien on the property, then the Seller must provide a copy of the executed note(s) for any other financing.

**In Case of Any Errors in the Note:**

A Seller must complete the Trust Receipt form for the request of Temporary Release of Collateral. Only then can we return the note to the Seller for any corrections. Trust Receipt form is shown below.

**MIN Numbers:**

The Closing documents (such as Note and Mortgage) must include MIN and MOM (MERS as Original Mortgagee) language as necessary. If MIN number or any MOM verbiage has not been used on security instruments, then two original Corporate Assignment of Mortgage must be prepared by the correspondent. First original should be provided prior to purchase to SWMC and second original should be provided to county for recording. Recorded document should be provided to SWMC along with **final post-purchase documentation**. < please hyperlink the highlighted text with a link to the section 3.43>

Note: If the document is recorded by SWMC \$100 will be charged as recording fee and only one original Corporate Assignment of Mortgage will be required Prior to Purchase.

**Signature Lines on Closing Documents:**

Sun West requires all closing documents to be ink signed. Sellers must ensure the Borrowers and other related parties sign the closing documents as per the capacity listed in each signature line. The following are some examples to ensure that the documents are signed accurately:

*John Doe*  
\_\_\_\_\_  
JOHN DOE

*John Doe, as Trustee*  
\_\_\_\_\_  
JOHN DOE, TRUSTEE OF THE JOHN DOE TRUST DATED 07/07/2007

*John Doe, Individually and as Trustee*  
\_\_\_\_\_  
JOHN DOE, INDIVIDUALLY AND AS TRUSTEE OF THE JOHN DOE TRUST DATED 07/07/2007

*Jane Doe, by John Doe as attorney in fact*  
\_\_\_\_\_  
JANE DOE, BY JOHN DOE, ATTORNEY IN FACT

*John Doe, as life tenant*

\_\_\_\_\_  
JOHN DOE, AS LIFE TENANT

*John Doe, as remainderman*

\_\_\_\_\_  
JOHN DOE, AS REMAINDERMAN

*Jane Doe, by John Doe as conservator*

\_\_\_\_\_  
JANE DOE, BY JOHN DOE, CONSERVATOR

*Jane Doe, by John Doe as guardian*

\_\_\_\_\_  
JANE DOE, BY JOHN DOE, GUARDIAN

One or more borrowers signing by mark requires 2 witnesses:

*X*

\_\_\_\_\_  
JOHN DOE

*John Smith, witness for John Doe*

\_\_\_\_\_  
JOHN SMITH, WITNESS FOR JOHN DOE

*Jane Smith, witness for John Doe*

\_\_\_\_\_  
JANE SMITH, WITNESS FOR JOHN DOE

Trustee signing by mark requires 2 witnesses:

*X, as trustee*

\_\_\_\_\_  
JOHN DOE, TRUSTEE OF THE JOHN DOE TRUST DATED 07/07/2007

*John Smith, witness for John Doe, trustee*

\_\_\_\_\_  
JOHN SMITH, WITNESS FOR JOHN DOE, TRUSTEE OF THE JOHN DOE TRUST DATED 07/07/2007

*Jane Smith, witness for John Doe, trustee*

\_\_\_\_\_  
JANE SMITH, WITNESS FOR JOHN DOE, TRUSTEE OF THE JOHN DOE TRUST DATED 07/07/2007

## **Post Closing**

### **3.44 *Post Purchase Documentation***

Post purchase documentation (title policy, recorded deed, and assignments) should be sent to the following address:

Sun West Mortgage Company, Inc.  
Attn: Follow-up / Post-closing

**18303 Gridley Road  
Cerritos, CA 90703**

Post purchase documentation should be sent to SWMC within 90 days of loan closing.

Post purchasing documents include recording of assignments, final title policy and recorded deed.

### **3.45 *Assigning a Mortgage through MERS***

SWMC recommends the Seller to utilize MERS (Mortgage Electronic Registration Systems, Inc.) when selling Loans to SWMC. SWMC must be assigned as the investor and servicer on the Mortgage Identification Number registered on MERS within 24 hours of purchase of the loan by SWMC.

The SWMC Organization Identification Number is 1001073.

NOTE: In addition to the MOM language and MIN on the deed of trust/mortgage, SWMC requires that the MIN appear on the Note. The Seller must place the MIN at the top right hand corner of the Note. No other changes to the Note are necessary.

### **3.46 *Loan Insuring***

Loan must be submitted to HUD for insuring and insured by HUD within 60 days of funds disbursement date.

### **3.47 *SWMC FHA Sponsor and Servicing IDs***

Sellers must use the following ID to assign SWMC as a Sponsor/Agent on FHA Connection for loans Underwritten by SWMC and Closed by the Seller in a Principal x Agent relationship. Please note: Sellers must be eligible to participate in a Principal x Agent transaction per guidelines mentioned in ML 2010-33.

**Sponsor / Agent ID: 6443809990.**

To assign SWMC as the Servicer on FHA Connection and report a Servicer / Holder change, Seller(s) must use the following ID to assign SWMC as the Mortgage Holder and Servicer.

**New Holding Mortgagee / New Servicing Mortgagee ID: 64438.**

Note: All the FHA loans which are purchased by SWMC must be endorsed to SWMC by the correspondent within 7 business days of the purchase date.

## 4.0 Loan Compliance and Pre-Purchasing Review

As part of a review process, SWMC will ensure that you have provided the Borrowers with necessary and sufficient information about the Reverse mortgage programs and in the manner prescribed by FHA/ HUD, FNMA, RESPA, FTC and other regulatory agencies.

SWMC will also ensure that the information and supporting documentation submitted in the loan package is complete and accurate. All loans must be originated directly by you under retail or wholesale channels.

All loans must be delivered to SWMC, originated in accordance with the HUD Handbooks 4150.1, 4150.2, 4155.1 and 4235.1 which are available on the HUD website at <http://www.hud.gov/offices/hsg/sfh/lender/mtgeekit.cfm>.

### 4.1 Aged Loans

Aged Loan is defined as a loan on which the 'Lock Request Date' or 'Closing Package Submission Date', whichever is earlier, is more than 45 days after the 'Note Date'.

SWMC will purchase such loans on an exception basis only (contact your Client Relations Manager for further details).

Pricing hits may apply and additional items such as payment history, recertification of value, etc. may be requested by SWMC at any time at its sole discretion.

### 4.2 ***A loan, which was previously shipped to another investor, is not eligible for sale to Sun West without approval from Capital Markets Desk. Please contact your Client Relations Manager for more details Loan Fees by Service***

SWMC fees, inclusive of underwriting, funding and drawing closing documents, are listed below for each client classification type:

Client Classification	C11	C12	C31		
Purchase Fee \$	\$200.00	\$400.00	\$0.00		

### 4.3 Submission of Closing and Collateral Package

#### 4.3.1 Submission of the Closing Package

SWMC requires the seller to upload the scanned copy of the closing package to its imaging system through [SeeMyLoanStatus](#) (SMLS) for expedited review. SWMC does not require the seller to deliver any originals other than the Original Note, Original Allonge, Loan Agreement & Exhibits and Original Assignment (if loan is not assigned through MERS). Refer 'User Guide' available at SMLS Website under 'Training Guides' (Link: <https://swmc.com/mortgage-related-training-guides.php>).

For Best Effort deliveries, SWMC must receive complete files (including pending conditions) for closed Loans within the applicable lock period.

Note: Please refer to the Appendix section of this Seller Guide for procedures on Originating and Condition Resolution tasks that may be done through SMLS.

#### **4.3.2 *Submission of the Collateral Package***

SWMC requires the seller to deliver the Original Note, Original Allonge, Loan Agreement & Exhibits and Original Assignment (if loan is not assigned through MERS) to its custodian. SWMC recommends that the Seller use an express mail service for the timely delivery of the original documents. All Original documents must be sent to below address in a legal size folder with SWMC Loan Number and Borrower Name:

Deutsche Bank National Trust Company  
Sun West\_Correspondent  
1761 E. Saint Andrew Place  
Santa Ana, CA 92705 USA

## **5.0 Loan Delivery Checklist**

Please make sure that all the required items are included in the file submission. SWMC does not underwrite the file without the required items.

Below are submission check-lists to help you submit a complete loan file for Underwriting or Purchase review.



**HECM CREDIT PACKAGE STACKING ORDER (Right-Hand Side of File Folder)**

Sr. No	Document Required	Description / Comment	Enclosed
1	a	Copy of the Appraisal Report	<i>Color Appraisal, with all revisions, addendums and CIRs</i>
2	a	Photograph of the Property	<i>May be obtained from the Appraisal Report</i>
3	a	Property Tax Receipts	
	b	All Property Insurance Premium Receipts	
	c	Ledger Sheets (if Any)	
	d	Payment Records	
	e	Insurance Claim files and correspondence (if Any)	
	f	Correspondence with related Mortgagor	
	g	Current and Historical computerized data files	
	h	All papers required to document the mortgage loan or to service the mortgage loan	<i>Application (1009) - Initial and Final</i>
	i		<i>Counseling Certificate</i>
	j		<i>FHA Case Assignment, Appraisal Logging, Case Query</i>
	k		<i>Evidence of MIP payment</i>
	l		<i>SSN and DOB Evidence</i>
	m		<i>GFE</i>
	n		<i>Estimated and Final HUD1</i>
	o		<i>Initial Disclosures (Federal and State Specific Disclosures)</i>
	p		<i>Closing Disclosures and Exhibits</i>
	q		<i>Riders (Repair, PUD, Condo)</i>
	r		<i>Credit Reports</i>
	s		<i>Flood Certificate</i>
	t		<i>Payoff Statements</i>
	u		<i>Purchase Agreement (HECM Purchase)</i>
	v		<i>Grant Deeds, Documents correcting vesting, Repair Set asides, etc</i>
	w		<i>Anti Churning Notice (HECM - HECM Refinance)</i>
	x		<i>Any other documents used for underwriting and closing the loan</i>
	y		<i>Underwriting and Funding letters and checklists</i>
4	a	ALTA Loan Title Policy	<i>Including any endorsements thereto for each Mortgage Loan that has been modified in any respect.</i>
5	a	Executed Power of Attorney (If Any)	<i>Evidence of recording with the appropriate public records office</i>
6	a	Engineering Reports (if Any)	
	b	Property Condition reports (if Any)	<i>Termite Reports, Repair Bids</i>
7	a	Copy of all Leases and Estoppels	<i>(If Applicable)</i>
	b	Copy of Subordination and non-disturbance agreements that have been delivered to the Seller	<i>(If Applicable)</i>
8	a	Copies of related financial statements or operating statements	<i>For each property</i>
9	a	All legal opinions	<i>Excluding attorney-client communications between the Seller and its counsel that are privileged communications or constitute legal or other due diligence analyses</i>

1 0	<p>b Mortgagor's certificates, Hazard Insurance Policies, etc</p> <p>a Trust Document</p>	<p><i>Hazard, Flood, Windstorm policies (if applicable)</i></p>	
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**HECM LEGAL PACKAGE STACKING ORDER (Left-Hand Side of File Folder)**

**Items to be submitted on or before the closing date for the Collateral Package**

Sr. No	Document Required	Description / Comment	Enclosed
1	a	Original Mortgage Note	
	b	<i>Note must be endorsed (On an Allonge attached thereto) "Pay to the order of Sun West Mortgage Company Inc, without recourse."</i>	
	c	<i>Note must be signed by Original Signature in the name of the Seller by an Authorized Officer.</i>	
	d	<i>All Intervening endorsements must show as complete.</i>	
	d	<i>Valid and Proper chain of Title from the Originator of the Mortgage to the Seller.</i>	
2	a	Original Mortgage Deed	
	b	<i>(If such original Mortgage has been lost or if such public recording office retains the original recorded Mortgage)</i>	
	a	<i>With evidence of Recording</i>	
	b	<i>A photocopy of such Mortgage certified by the Seller or such public recording office to be a true and complete copy of the original recorded Mortgage</i>	
3	a	Original Assignment of Mortgage	
	a	<i>From the Seller signed by original signature of an authorized officer, in the name of Sun West Mortgage Corporation as assignee, which assignment shall be in form and substance acceptable for recording</i>	
4	a	Bailee Letter	
	a	<i>Bailee letter, printed on letterhead of the warehouse bank</i>	
5	a	Originals of all intervening Assignments of Mortgage (if Any)	
	a	<i>With evidence of recording thereon, showing a complete chain of title from the originator to the Seller</i>	
6	a	Originals of all assumption and modification agreements (if any)	
	a	<i>Unless such originals are unavailable (in which event the Seller shall deliver to the Purchaser a photocopy of each such original, certified by the Seller to be a true and complete copy of the original)</i>	
7	a	Evidence of recording of any assignment of leases (if separate from the Mortgage) and of any intervening assignments of such assignment of leases indicated thereon or certified by the Seller or the applicable recorder's office	
	a	<i>If any original assignment of leases has been delivered for recording to the appropriate public recording office of the jurisdiction in which the Mortgaged Property is located but has not yet been returned to the Seller by such recording office, the Seller shall deliver or cause to be delivered to the Purchaser on or before the Closing Date a conformed copy of such recorded assignment of leases and shall, no later than 60 days following the related Closing Date, deliver to the Purchaser the original of such assignment of leases, with evidence of recording thereon</i>	
8	a	Original, or copy of the related loan agreement (if any)	
	a	<i>Any Copy must be certified by the Seller to be a true and correct copy thereof</i>	
9	a	Original, or copy of the related guaranty of payment under such Mortgage Loan (if any)	
	a	<i>Any Copy must be certified by the Seller to be a true and correct copy thereof</i>	
10	a	Copy of each UCC financing statement (if any)	
	a	<i>Filed or recorded to perfect any security interest granted in the Mortgage Loan documents</i>	
	b	Copy of each related amendment, assignment and subordination (if Any)	
	b	<i>Showing all applicable filing or recording information.</i>	

## 6.0 HECM Insured Loan Checklist

<b>SWMC Loan #</b>	
<b>Borrower Name</b>	
<b>Insuring Status</b>	

<b>Checkpoints</b>	<b>Validation</b>
Is the CIR present if the repairs were required prior to closing	
Is the Vesting in borrower(s) name	
Does the lender have the valid lien	
Are all delinquent federal and state taxes or judgments paid off with closing	
Does the borrower have sufficient benefit factor in case of HECM to HECM Refinance Case (Converting loan from ARM to Fixed is not considered as sufficient benefit)	
Is the application and disclosures taken in accordance to RESPA and State compliance	
Is the CAIVRS clear	
Is the Case Assignment clear off any warnings like "Mortgage Credit Sanction or Multiple loan Warnings"	
If the Property is in Trust, has the Title or Attorney approved the Trust	
Is the Hazard and Flood insurance coverage sufficient	
Are all Occupancy concerns addressed by supportive documents like LOE, Utility bills, Occupancy inspection report	
Is the Fraud Victim alert addressed by contacting borrower if credit report has one.	
Is the Paper Trail of funds verified in case borrower require to be bring cash to close	

## 7.0 Final Documentation Delivery

Effective 06/01/2022, All Recorded Mortgage / Deed of Trust and Final Title Policy must be reviewed by the Seller for accuracy and delivered to Sun West Mortgage Company, Inc within 90 days of the date of purchase. Any documents not received within 120 days from the date of purchase by SWMC will be billed penalty charges of \$100.00 per document to the seller.

The Seller must submit final documents with the SWMC Loan number in the upper right hand corner of each document. The "SWMC Final Docs Transmittal" checklist must be filled in and sent along with the Final Docs Package to SWMC. You may download the checklist from [sunsoft](#) in the "Help" Section.

Recorded Mortgage / Deed of Trust and Final Title Policy must be sent to following address:

Sun West Mortgage c/o Edgemac  
2125 E. Katella Avenue, Suite 350  
Anaheim, CA 92806

The seller is responsible for ensuring that all loans are insured within 30 days of closing or prior to purchase. The non-delivery of the documents may require the seller to re-purchase the loan.

## **8.0 Commitment Expiration Date**

Commitment Expiration Date is defined as the date by which a Loan committed by the Seller to SWMC must be delivered to and purchased by SWMC.

Loan must hence be purchased by SWMC before the Commitment Expiration Date to avoid extension and/or re-lock costs.

## 9.0 Loan Submission to Sun West Mortgage Company

Before delivering **HECM** loans to **Sun West Mortgage Inc. (SWMC)**, you are required to register the loan utilizing SunSoft Online portal.

Here's how to submit an already processed loan to SWMC:

- Go to [www.reversesoftware.com](http://www.reversesoftware.com).
- Enter your login ID and password. (Contact your CRM immediately if you do not have one)

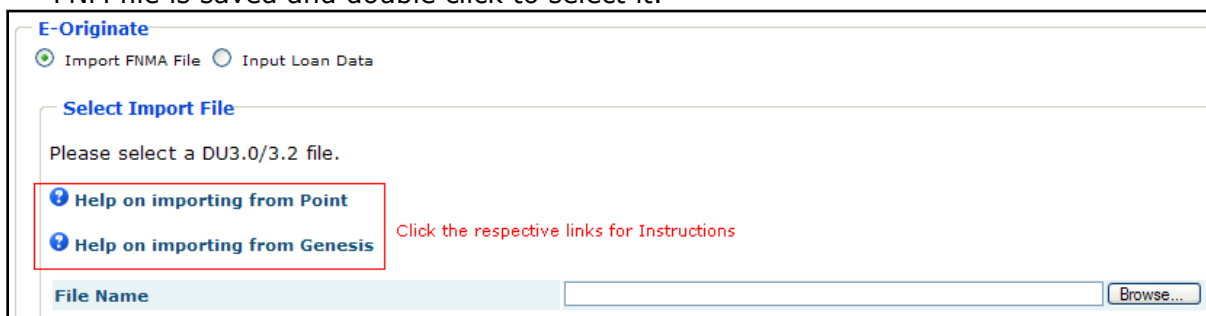


- Once logged in please click on "New!! E-File Upload. Click Here" to use our E-origination feature.

Please select an option below:

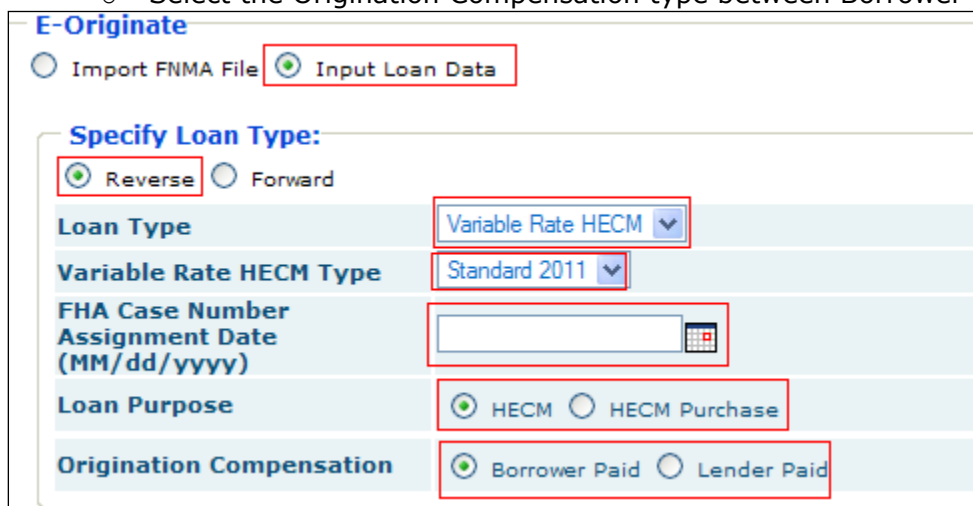
- **Origination**  
Perform origination actions such as creating and processing the loan.
  - **New!! E-File Upload. Click Here.**
  - Origination Calculator
  - Blank Documents

- If you have originated the loan using another Loan Origination Software (Point, Genesis) you may export the loan in a Fannie Mae file (.fnn). Instructions on extracting files to Fannie Mae formats are available on the site. Click Browse, navigate to the location on your PC where the FNM file is saved and double click to select it.



- If you are unable to export a '.fnn' file or are creating the loan for the first time, select the "Input Loan Data" option. Next select
  - "Reverse" in the Specify Loan Type option,

- Variable Rate HECM or Fixed Rate HECM as the Loan Type,
- the FHA Case Assignment Date,
- Loan Purpose would be HECM or HECM Purchase
- Select the Origination Compensation type between Borrower Paid and Lender Paid



**E-Originate**

Import FNMA File  Input Loan Data

**Specify Loan Type:**

Reverse  Forward

Loan Type: Variable Rate HECM

Variable Rate HECM Type: Standard 2011

FHA Case Number Assignment Date (MM/dd/yyyy):

Loan Purpose:  HECM  HECM Purchase

Origination Compensation:  Borrower Paid  Lender Paid

Next under the "Input Loan Data" section, enter the:

- First, Middle and Last Name of the Borrower and Co-Borrower (If applicable)
- Date of Birth (For Borrower and Co-Borrower, if applicable)
- Borrower SSN (For Borrower and Co-Borrower, if applicable)
- Primary Language is English
- Phone Number of the Borrower
- Email Addresses (if available)
- Cell Phone Number
- Method of taking the Loan Application
- Property Street Address (Tip: Enter only the Zip Code and the State and County will auto-populate.)
- The Interviewer Company will default based on the User ID setup, if not, you may change it to the location which originated the loan.

Tip: You may also choose to only enter the Mandatory Fields required to set-up a loan which are marked with an 'asterisk \*'.



**Input Loan Data**

First\* / Middle/ Last Name\*

Co-Borrower First-Middle-Last Name

Date of Birth\* (MM/dd/yyyy)

Borrower SSN

Co-Borrower Date of Birth (MM/dd/yyyy)

Co-borrower SSN

Primary Language ENGLISH

Phone Number\*

Borrower's Email Address

Co-Borrower's Email Address

Cell Phone Number

This application was taken by\*

Property Address\*

ZIP\* / City\* / State\* / County\*

**Interviewer Company**

SUN WEST MORTGAGE COMPANY, INC. - 18303 GRIDLEY ROAD - SUNWST000

**Upload Image Files**

38.15MB maximum per file.

File 1		Browse...		Desc
		<input type="button" value="Browse..."/>		

- You may also upload loan documents like the counseling certificate, application package (if created), SSN and Driver's license, Hazard Insurance documents, purchase contracts, etc., while creating the loan. Simply click on the "Browse" option beside "File 1" and select the file to be uploaded. You may also add multiple documents at one time.

**Upload Image Files**

76.29MB maximum per file.

File 1		Browse...		Desc
		<input type="button" value="Browse..."/>		Counseling Cert
		<input type="button" value="Browse..."/>		SSN and DL
		<input type="button" value="Browse..."/>		

- Click on "Create Loan" once you are done to have a new loan number created. The uploaded documents would be automatically attached to the loan under the "Broker Inbox" section of the Loan workflow.
- For further information you may refer to the SunSoft User Guide located in the "Help" Menu on the top right-hand corner as shown below:

Contact | Links
Help
Marketing Material

**HELP**

[Documentation](#)

[SunSoft User Guide](#)

## **10.0 Repurchase Pricing**

The amount the Seller must pay to SWMC upon SWMC's repurchase request to the Seller ("Repurchase Price") shall be calculated as follows:

- The purchase price, including any premium pricing plus the 'Servicing Release Premium' (SRP) paid to the Seller, plus
- Any administrative expenses, out-of-pocket costs, attorney fees and costs to bring action, investor pair off fees, and investor and custodian fees, plus
- Any other charges authorized by 'Mortgage Broker & Correspondent Agreement' between the seller and SWMC.

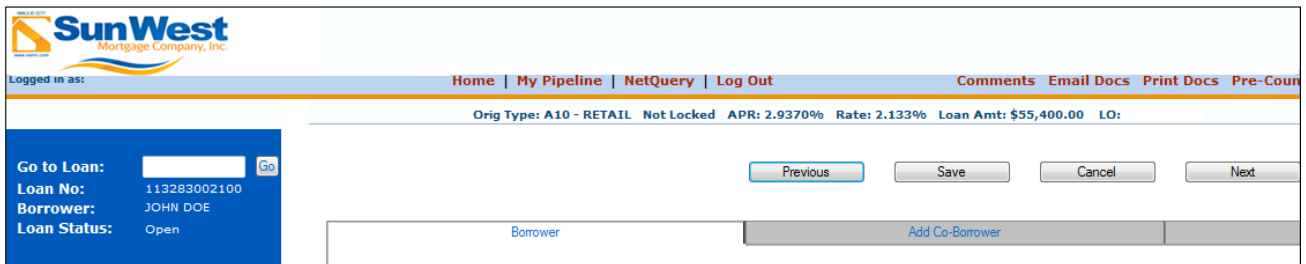
## **11.0 Lock Desk Hours of Operation**

The SWMC Lock Desk operates between the hours of 6:30 AM PST and 4:00 PM PST Monday through Friday.

## 12.0 Ordering appraisals through Sun West:

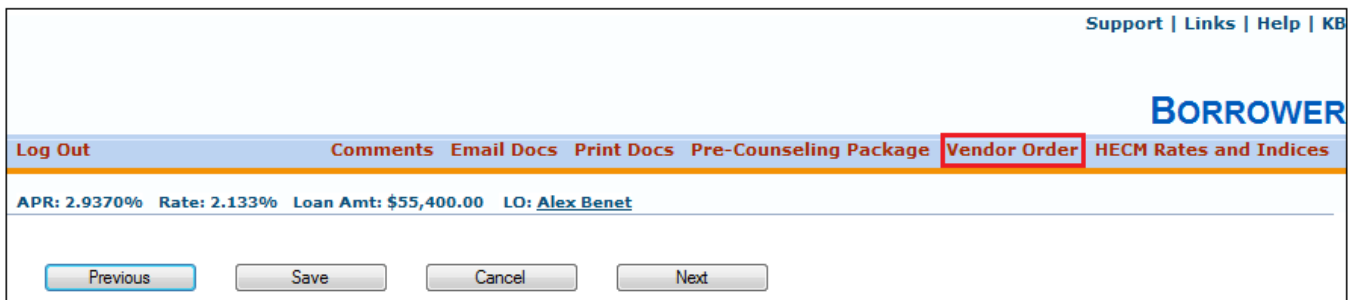
Mortgage Brokers can order the appraisal / other services by following the steps given below:

**Step 1:** Open the loan in SunSOFT on which appraisal needs to be ordered.

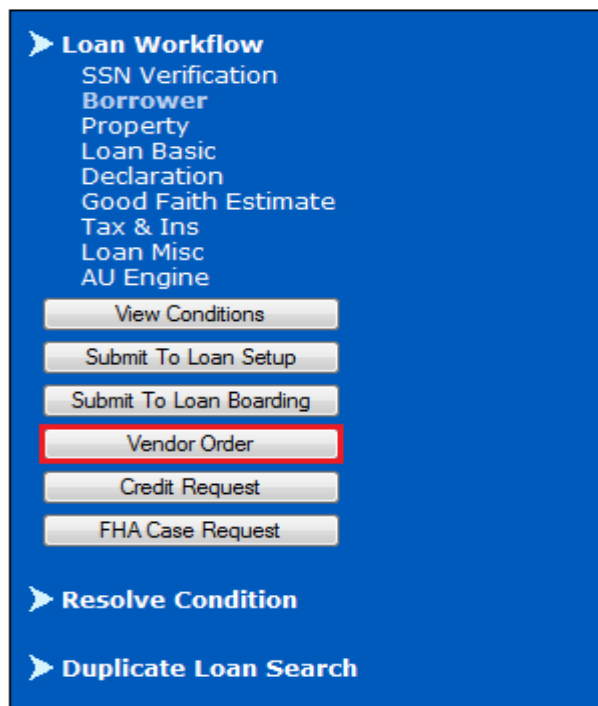


**Step 2:** Go to the Vendor Order screen. There are two links in SunSOFT for Vendor Order Screen.

(a) One link is at the top right side of SunSOFT. Please refer to the screenshot given below.



(b) The second link is on the left side of SunSOFT. Please refer to the screenshot given below.



**Step 3:** Verify the borrower and the property details. If these details are incorrect then please update the information from the Borrower / Property Screen in SunSOFT.

Borrower Information	
Borrower Name	JOHN DOE
Borrower Phone No	(999) 999-9999
Borrower Cell No	
<i>*The above information can be updated from the 'Borrower Screen'</i>	
Property Information	
Street Address	1830LEY ROAD
City/State/ZIP Code	HUNTINGTON BEACH CA 92648
County	LOS ANGELES
<i>*The above information can be updated from the 'Property Screen'</i>	

**Step 4:** Select the desired service from the drop down and press

**Vendor Order**

Select Service

---

Vendor Service

AVM

- AVM
- Appraisal
- Equivue AVM
- FNMA 1004D - CIR / Appraisal Update
- FNMA 1007 - Rent Schedule
- FNMA 1075 - Exterior-Only Ind Condo
- FNMA 2055 - Exterior-Only Report
- FNMA 2075 - Desk Review Report
- FNMA 216 - Operating Income Statement
- Home Inspection
- Occupancy Inspection
- Second Appraisal
- VA IRRRL Appraisal Review

**Step 5:** Add any specific comments/instructions in the Comments tab:

**Vendor Order**

---

Enter The New Comment and Click Submit Entry

**Step 6:** Navigate to the Required Info tab and add the Contact Person Details.

**Vendor Order**

Select Service | Comments | Email | Required Info

**Contact Person to Access the Property**

<b>Contact Person Name*</b>	<input type="text" value="John Doe"/>
<b>Phone No*</b>	<input type="text" value="(999) 999-9999"/>
<b>Cell No</b>	<input type="text"/>
<b>Best Time to Call*</b>	<b>Date:</b> <input type="text"/> <input type="checkbox"/> <b>Anytime during the day</b> <b>From</b> <input type="text"/> <b>To</b> <input type="text"/>

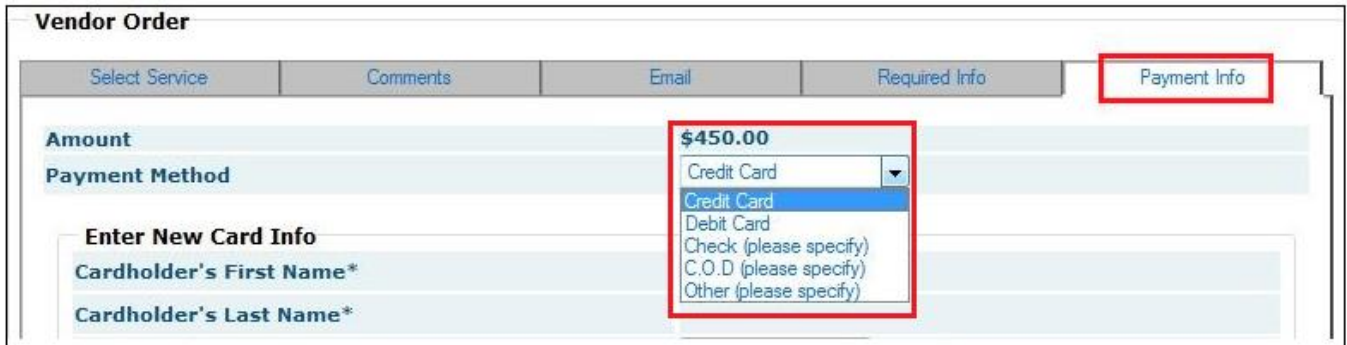
**Notes**

**Step 7:** Enter the details in the "Broker's Confirmation" section and press  Please note that this section is applicable only for ordering 1<sup>st</sup> appraisal. For other services this section is not applicable.

**Broker's Confirmation** (Please answer the following Yes/No/NA)

1. Do you have the borrower's intent to proceed with the loan?	<input type="text"/>
2. Have you uploaded the HECM Counseling Certificate in the Imaging/Broker Inbox (Applicable only in Reverse Loans)?	<input type="text"/>
3. Is this a FHA loan?	<input type="text"/>
3(a) FHA Case Number with ADP code for the subject property is:	<input type="text"/>
3(b) Is this a Rehabilitation loan? (203k)	<input type="text"/>
3(c) Do you have an active loan application from the borrower?	<input type="text"/>
4. Is this a VA loan?	<input type="text"/>
5. As required by MDIA & TILA, were SWMC Truth in Lending disclosures delivered to borrower prior to requesting an appraisal?	<input type="text"/>
6. Is this a Purchase transaction?	<input type="text"/>
7. Property type	<input type="text"/>
8. Is the property a "Mixed Use" Property?	<input type="text"/>
9. Loan Type	<input type="text"/>

**Step 8:** Select the "Payment Method" in the "Payment Info" tab. The approximate AMC fee for the service is shown in the "Amount" field.

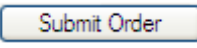


There are 5 payment methods.

**(a) Credit Card or Debit Card**

Enter the details of the credit / debit card.



Once all details are entered, press  button.

The vendor order department and the client will get the detailed notification on the service requested. This service request will also be visible in the "Order History" section in Vendor Order screen.

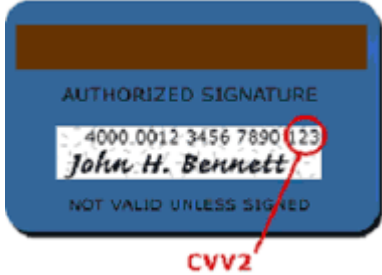

Order History				
Service	Requested	Ordered	Received	Additional Payment
Appraisal - 01	01/14/2011			N/A

Thereafter vendor order department will coordinate with the accounting department of SWMC to charge the fee. Accounting department will use the above credit card information to charge the fee. Once the fee is charged the order will be placed with the AMC and the order confirmation will be emailed to the client.



**Please Note:**

In order to charge the fee Vendor Orders department needs CVV / CID number. Please email the CVV/CID information of the card to [vendororders@swmc.com](mailto:vendororders@swmc.com)

Type of Card	Location of CVV/ CID Number
<p><b>MasterCard / VISA:</b> If you are using a MasterCard or Visa the 3-digit CVV (Customer Verification Value) can be found after the account number on the back of your card.</p>	
<p><b>American Express:</b> If you are using an American Express card the 4-digit CID (Confidential Identifier Number) can be found on the front-right section of your card above the account number.</p>	

**(b) Check / COD / Others**

Enter the details of the as required. You can give the check number in the blank Text Box.

**Vendor Order**

Select Service	Comments	Email	Required Info	Payment Info
Amount		\$450.00		
Payment Method		Check (please specify) <input style="border: 1px solid red;" type="text"/>		<input style="border: 1px solid red;" type="text"/>
Pay By*		<input type="text"/>		
Pay To*		<input type="text"/>		
<input type="button" value="Submit Order"/>				

Press  button.

The vendor order department and the client will get the detailed notification on the service requested.

This order request will be visible in the "Order History" section in Vendor Order screen.

Order History				
Service	Requested	Ordered	Received	Additional Payment
Appraisal - 01	01/14/2011			N/A

Thereafter vendor order department will coordinate with the accounting department to check the receipt of the check. After their confirmation the order will be placed with the AMC and the order confirmation will be emailed to the client.

### Additional Payment on the Ordered Services

There are situations when the fee is higher than the normal fee for a particular service. In that case Vendor Order department will take the approval for the additional fee from the broker / client.

The request for the additional payment will be visible in the Order History section. There will be a  button and the additional amount which needs to be paid. For example in the screenshot given below additional payment of \$100.00 is required for Home Inspection.

Order History				
Service	Requested	Ordered	Received	Additional Payment
Appraisal - 01	01/14/2011			N/A
Home Inspection - 01	01/14/2011			\$100.00 <input type="button" value="Pay"/>

Confirm the additional payment of the given amount by pressing the  button. This will open the "Payment Info" section which has 5 options of paying this fee. The process for paying the additional payment is same as explained in the previous chapter. Pay the additional fee. Once this fee is paid the additional amount will change to N/A and the  button will go.

Order History				
Service	Requested	Ordered	Received	Additional Payment
Appraisal - 01	01/14/2011			N/A
Home Inspection - 01	01/14/2011			N/A

The vendor order department and the client will get the detailed notification on the service requested. This service request will also be visible in the "Order History" section in Vendor Order screen.

Thereafter Vendor order department will coordinate with the accounting department to charge the additional fee.

### Please Note

1. In case of Condominium Property for the project which is not approved by FHA. The appraisal will be ordered only after receiving all the necessary documents for project approval as per Mortgagee Letter ML 90-46B, for details please contact your Client Relations Manager.
2. In case of Rehabilitation Loans (203K) - Please note that appraisal will be ordered only upon receipt of Contractor's Bid and or FHA Approved 203K Consultant's Report.
3. The Broker agrees to pay the fee on the service ordered even if the Broker later chooses to cancel the loan.

4. If the order is cancelled prior to completion, Sun West Mortgage Company, Inc. will refund the amount back to the credit card, after deducting the processing fee that was incurred while charging the amount to card.
5. If you have any questions, please contact your Client Relations Manager at (800) 453-7884.

### 13.0 Determination of Interest Rate Adjustment date

Given below are guidelines to be followed to determine the first interest rate change date for a HECM loan with variable interest rate:

For HECM loans with annually adjustable interest rates, the first interest rate adjustment date must be on the first day of thirteenth month after loan closing (signing) date.

For example: A loan with signing date in June 2015 must have its first interest rate change date as July 1, 2016.

HECM loans with monthly adjustable interest rates, must have the first interest rate adjustment date within two months after loan closing.

For example: Loans with signing date in June 2015 must have first interest rate change date as July 1, 2015 or August 1, 2015.

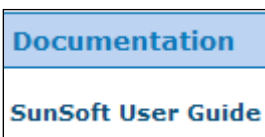
### 14.0 Using the "Help" Section on Sun Soft:

The "Help" Section on SunSoft which can be accessed by clicking "Help" after you have logged in provides you will the following assistance to submit your loans smoothly to Sun West Mortgage Company.

This section includes:

- o Documentation:

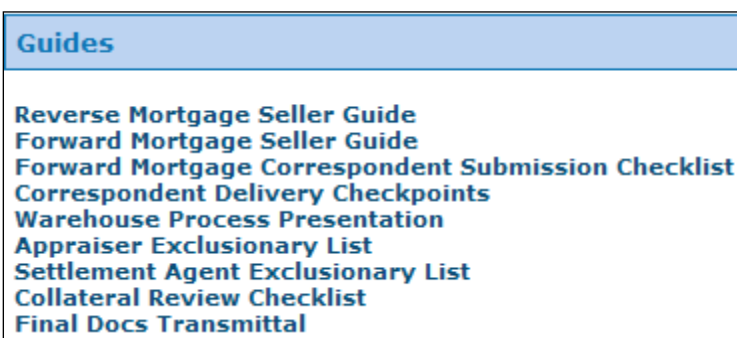
Under this sub-menu you can download the SunSoft user guide for assistance on using the SunSoft Loan Origination System.



- o Guides:

You may download the following documents from this sub-menu:

1. Seller Guides
2. Correspondent Submission and Transmittal Checklists
3. Appraiser and Settlement Agent Exclusionary Lists



- o Forms:

You may download the following documents from this sub-menu:

1. Reverse Mortgage New Submission
2. Reverse Mortgage Counseling Authorization & Ordering Form
3. SWMC Vendor Service Authorization & Form (Form to Order AVM, Appraisals, Appraisal Reviews, BPOs, and 2nd Appraisals)
4. Reverse Mortgage Doc Order
5. HECM Purchase Stacking Order

#### Forms

**Reverse Mortgage New Submission**  
**Reverse Mortgage Counseling Authorization & Ordering Form**  
**SWMC Vendor Service Authorization & Form (Form to Order AVM, Appraisals, Appraisal Reviews, BPOs, and 2nd Appraisals)**  
**Reverse Mortgage Doc Order**  
**HECM Purchase Stacking Order**

## 15.0 Servicing - Welcome Package

After the loan is funded, **SWMC** servicing department sends out a welcome package to the borrower. This includes our Reverse Mortgage Servicing Booklet which is designed to answer any question that the borrower may have regarding reverse mortgage. It explains all the post-funding processes and includes:

- Line of credit information
- Request for funds forms
- Monthly payment information
- Repair information
- General reverse mortgage questions
- Direct deposit information
- Direct deposit request form
- A sample copy of the monthly statement

Please refer to the Reverse Mortgage Servicing Booklet for additional information.

## **16.0 Customer Service Call**

A customer service call is made to the borrower after the funding. The call includes:

- Confirm that the Welcome Package has been received by the borrower.
- Go through the details in Welcome Package and forms to be used for money draws.
- Inform the borrower of monthly statement on when and what to expect from it.
- Making the borrower be aware of that he/she needs to pay hazard insurance and property tax in a timely manner and submit proof to us at least 30 days prior to expiration date.
- Go through the occupancy check issue.
- Go through the basics of required repair (if applicable) and inform the borrower that our repair administrator will be contacting them shortly.
- Remind the borrower of some important terms in loan agreement.
- Answer any questions the borrower may have after funding.
- Perform a two minutes survey for quality control and operational improvement purpose.

**Disclaimer:**

- This information is provided as information for licensed Correspondents only and may not be copied or distributed to customers or potential customers.
- All loans are subject to approval. Certain restrictions may apply. Rates and prices are subject to change.