

STATESIDE UNDERWRITING AGENCY

13 1/2 North Franklin Street
Chagrin Falls, Ohio 44022
P. 440-893-9917 F.440-893-9951

Instructions for Applicant Organization: Please type or **print in ink**. Answer all questions. If a question is not applicable, state NOT APPLICABLE. If the answer to any question is none, state NONE. If space is insufficient to answer any question fully, attach a separate sheet(s).

MORTGAGE BANKERS BOND/ PROFESSIONAL LIABILITY APPLICATION
THIS IS AN APPLICATION FOR A CLAIMS MADE AND REPORTED POLICY.

ALSO INCLUDE WITH THIS APPLICATION RESUMES OF KEY SENIOR PERSONNEL AND LATEST FULL YEAR FINANCIALS AND ANY INTERIM FINANCIALS AVAILABLE.

GENERAL INFORMATION

1. a. Name of Applicant (include any subsidiaries for which coverage is requested): _____

b. Address (No. & St.): _____

City: _____ State: _____ Zip: _____

2. Year Established: _____

3. a. Number of Locations: _____ List Name and address for each location (on a separate sheet if necessary):

b. Number of Locations with Underwriting Authority: _____

4. a. Applicant is a: Corporation: Partnership: Sole Proprietor LLC

b. Has there been any change in ownership or management in the past three years? Yes No
If "Yes," explain: _____

c. Identify all principals, persons, or entities owning 10% or more of the Applicant Company(ies), Parent Company (if any, please identify such as the parent), and indicate the percentage of ownership for each.

d. Contact Information:
Contact Person and Title: _____
Fax Number: _____
E-mail Address: _____
Web Address: _____

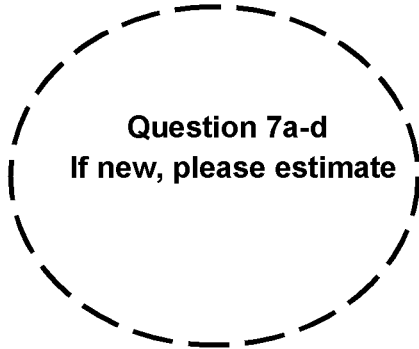
TYPE OF OPERATION

5. Does the Applicant have or utilize a warehouse line of credit? Yes No

6. What percentage (if any) of the below Loan Origination Volume was funded by the Applicant's Warehouse Line?..... _____%

7. Mortgage Banking Activities for the twelve (12) months ending: _____

	Number of Loans	Dollar Volume
a. Servicing:	_____	_____
b. Origination:	_____	_____
c. Origination Percentage:		
1-4—Family Residential	_____	_____ %
Multi-family	_____	_____ %
Other Income Property	_____	_____ %
Other (please describe _____)	_____	_____ %
	Total	100%
d. Type of Loans Originated:		
FHA/VA/Conventional	_____	_____ %
Second/Equity Line Lending	_____	_____ %
Construction Lending	_____	_____ %
Other (please describe _____)	_____	_____ %
	Total	100%



8. Does the Applicant act as a master servicer of loans? Yes No
 If "Yes," please provide details (including dollar amount of activity and source of funding):

9. Does the applicant make any "Portfolio" loans for its own (or affiliated company) account with the intention of holding the loan more than six months? Yes No
 If "Yes," please provide details (including dollar amount of activity and source of funding):

10. a. Number of Independent Contractors performing loan origination services for the applicant? _____
 b. Do these Independent Contractors performing loan origination services work only for you? Yes No
 If "No," please explain:

c. Do you want coverage for Independent Contractors performing loan origination services for you? Yes No
Please note that we will only provide coverage for Independent Contractors that do only loan origination services for you and do not work for anyone else.

11. List current number of employees by the following activities (**Do not include the Independent Contractors listed in the answer to question 10.**):

- a. Mortgage Banking Professional Employees
 - (1) Board of Directors, Corporate Officers _____
 - (2) Loan Production _____
 - (3) Loan Servicing _____
 - (4) All Other Professional _____
 - b. Non-Mortgage Banking Professional Employees _____
 - c. Clerical Employees _____
- _____ Total Employees

12. List below the three largest institutions that fund loans for the Applicant:
1. _____
 2. _____
 3. _____

COMPANY PROCEDURES

13. Please confirm the Applicant has procedures to assure timely and proper disclosure of Good Faith Estimates and Truth in Lending Estimates. Yes No

14. Does the Applicant know of any or have any reported violations of laws in any of the following:
- a. Real Estate Settlement Procedures Act..... Yes No
 - b. Truth in Lending Legislation..... Yes No
 - c. Equal Credit Opportunity Legislation Yes No

15. Does the Insured have written policies with respect to the above as shown in question 14. (a., b., or c.), and are employees trained to comply)? Yes No

16. Are appraisals performed by in-house appraisers?..... Yes No
 If so, who assigns the appraisals (list the person's position)?

17. Are appraisals provided on a rotating basis? Yes No
 If "No," please advise how the applicant protects itself from collusion between an appraiser and a loan officer.

18. a. Please describe below how denials of credit are offered.

b. How has the applicant addressed (including any new procedures or policies) the issue of predatory lending practices to prevent lawsuits in this area?

19. What percentage of the number of total loans originated are reviewed by separate quality control personnel? _____%

20. Does the Applicant obtain or anticipate revenues from any other services other than Loan Origination Activities?..... Yes No

If so, please describe.

21. To what professional associations does the applicant firm belong?

22. Has the Applicant ever been required to repurchase any loan(s)? Yes No
 If so, please provide details as to when and what caused the repurchase.

23. a. Does the Applicant operate in states which require a Mortgage Broker or Mortgage Correspondent to be licensed? Yes No
 b. If "Yes," please confirm all licenses are in force. Yes No
 c. Has the applicant had any investigations into licensing or are there any ongoing license investigations from any state agency or other authority? Yes No
 If "Yes," please provide full details of investigation including the outcome and/or status: _____

d. Does the applicant commingle Investor funds or any other funds required to be segregated by law or a third party? Yes No
 e. Does the applicant have a written procedural manual for employees to follow? Yes No
 f. Does the applicant have a formalized training program for newly hired employees? Yes No
 If "No" to question 23.e. or 23.f., how does the applicant train new employees and/or confirm that managers are performing according to company guidelines? _____

24. Does the Applicant participate in any telemarketing programs (either directly or indirectly)? Yes No
 If so, how does the Applicant protect itself from claims from consumers on "Do Not Call Lists/registries"?

INSURANCE AND CLAIM INFORMATION

25. Do you currently carry the following:
 a. Professional Liability Insurance? Yes No
 If "Yes," please complete the following:

Policy Period	Carrier	Limit of Liability	Deductible	Premium	Retro Date

b. Surety Bond? Yes No
 If "Yes," please complete the following:

Policy Period	Carrier	Limit of Liability	Deductible	Premium

c. Fidelity Bond? Yes No
 If "Yes," please complete the following:

Policy Period	Carrier	Limit of Liability	Deductible	Premium

d. General Liability Insurance? Yes No
 If "Yes," please complete the following:

Policy Period	Carrier	Limit of Liability	Deductible	Premium

26. Was prior coverage ever cancelled or nonrenewed? (OTHER THAN BEING NONRENEWED DUE TO THE CARRIER NO LONGER WRITING THIS TYPE OF COVERAGE) (NOT APPLICABLE TO MISSOURI APPLICANTS) Yes No
IF "YES," PLEASE EXPLAIN REASON FOR NON-RENEWAL OR CANCELLATION.

27. During the past five years, has the Applicant or any predecessor in business or any of the past or present partners, Officers, Directors, or employees been the subject of an investigation, reprimand, disciplinary action, criticism, or filed complaint by the FHA, VA, PMI carrier, any investor, authority, or governmental agency? Yes No
If "Yes," how many? _____
 If "Yes," provide full details for each circumstance.

28. Has any professional liability claim or suit ever been brought against the Applicant and/or any predecessor company and/or any person proposed to be insured? Yes No
If "Yes," how many? _____
 If "Yes," please complete a Claim Supplement/Potential Claim Supplement for each.

29. Does the applicant, or any predecessor in business or any of the past or present partners, Officers, Directors, or employees have any reasonable basis:
 a. to believe that there has been a breach of a professional duty? Yes No
 b. to believe that the applicant or any predecessor in business or any of the past or present partners, Officers, Directors or employees are aware of any circumstances, incidents, or situations during the past five years which may result in claims being made against the applicant, any of the past or present partners, Officers, Directors or employees or former employees of the applicant? Yes No
If "Yes," how many? _____
If there is knowledge of any such fact, circumstance, or situation, any claim or action subsequently emanating therefrom shall be excluded from coverage under the proposed insurance.

30. a. Professional Liability \$ _____ each wrongful act
 Limit requested \$ _____ aggregate
 b. Professional Liability
 Deductible requested \$ _____ each wrongful act

Please include the following items with this application:

- a. Resumes of Key Senior Personnel
- b. Latest full year financial statement or annual report and Interim Financials

The undersigned authorized person, on behalf of the applicant, attests that to the best of his/her knowledge and belief the statements set forth herein are true. Although the signing of this Application Form does not bind the undersigned to effect insurance, the undersigned agrees that this application and the said statements shall be the basis of the policy of insurance and deemed incorporated therein, should the Company evidence its acceptance of this application by issuance of a policy.

The undersigned authorized person on behalf of the applicant declares that the above statements are true, that neither the undersigned person nor the applicant has suppressed or misstated facts and that at the present time the applicant has no reason to anticipate any claims being brought against the applicant or any representative of the applicant or knowledge of any negligent act, error, omission or offense on the applicant's part or any representative of the applicant except as stated herein, and agrees that this Application Form shall be the basis of the contract between the applicant and the Company and shall be deemed a part hereof.

NEW YORK—WARNING: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

FRAUD WARNING: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

Signing this form does not bind you to complete the insurance. Coverage will become effective upon approval of the application and issuance of the policy. It is agreed that this form will be the basis of the contract. Should a policy be issued, this form will be attached to and become a part of the policy.

Signature: _____

Title: _____
(Must be signed by Owner, Partner or President)

Date: _____
Month/Day/Year

Producer's Name

Area Code

Phone Number

Producer: Will you make the surplus line filing for this policy? Yes No

Your Surplus Lines Number: _____

STATESIDE UNDERWRITING AGENCY

**29 S. LaSalle, Suite 530
Chicago, IL 60603**

MORTGAGE BANKERS BOND SUPPLEMENTAL APPLICATION

1. Name of Applicant (include any subsidiaries for which coverage is requested): _____

City, State: _____

2. Fidelity protection in connection with the administration of the company's pension fund and/or employee welfare or pension benefit plan by employees is automatically included in the bond if the plan is named. Please provide name of plan(s), if any: _____

3. Are your financial statements audited by a CPA? Yes No

4. A. Does the Applicant itself sell loans to any following:

FNMA Yes No
FHLMC Yes No
GNMA Yes No

B. List Loss Payee Requirements for Investors/ Loan Funders not show in 4A. _____

5. Does the company act as its own document custodian:

A. For Fannie Mae, Freddie Mac, and Ginnie Mae Loans? Yes No
If "Yes", state number of loans. # _____

B. For other investors? Yes No
If "Yes", state number of loans. # _____

LOAN ORIGATION ACTIVITY SUPPLEMENTAL INFORMATION

6. Does the Company make construction loans? Yes No
If "Yes", please complete Construction Lending section of this supplemental application.

7. At loan closing, are measures taken to verify that proper insurance is in place? Yes No

LOAN SERVICING PORTFOLIO SUPPLEMENTAL INFORMATION

If Not Applicable, check here ___ and proceed to the next section of this supplemental application

8. Estimated volume of condominium or PUD loans serviced: \$ _____

9. Do you service loans that require earthquake insurance? Yes No

10. Is a tax service used to track real estate property taxes on escrowed loans and to verify that the borrower has made real estate tax payments on non-escrowed loans? Yes No
If "No", what procedures are followed to make sure that real estate taxes are paid? _____

11. At insurance renewal are measures taken to verify that proper insurance is in place? Yes No

A. If necessary, would the company "Force Place" coverage? Yes No

Name of Force Place Company _____

B. If "No", explain method of providing hazard flood insurance when insurance is canceled or non-renewed and replacement is not received from the borrower: _____

C. Estimate the number of properties where insurance was force placed within the past 12 months:

_____ \$ _____

NET BRANCH SUPPLEMENTAL INFORMATION

If Not Applicable, check here and proceed to the next section of this supplemental application.

12. Are any of the Applicants offices or loan production personnel operating as a net branch? Yes No
If "No", then skip to General Construction Lending Information

13. Which of the following best describes your company?

- A. A net branch _____
B. A parent company with net branches _____

14. If you are a parent company with net branches, how many net branches do you have? # _____
What is the percent ownership interest in the net branches? _____%

15. Do any of your net branches operate under a separate name or a DBA name? Yes No
If so, please list the names: _____

16. Are all net branch employees and branch managers considered to be employees of the parent and paid by W2?
 Yes No
If not, please describe how employees are compensated: _____

17. Are net branches able to originate FHA loans under the Parent's approval? Yes No
Are these FHA loans issued in the name of the Parent Company? Yes No

18. Do the net branches have:
A. Access to loan programs funded through the parent? Yes No
B. The ability to broker loans to outside wholesale lenders? Yes No

19. Does the net branch have underwriting authority? Yes No

20. Does the Parent company handle accounting and payroll services? Yes No

21. Can net branches originate loans across state lines under the parent company licenses? Yes No

22. Are all net branches now either covered or intended to be covered under the Parent company fidelity and/or E&O insurance policies? Yes No
If you answered "No", please explain: _____

GENERAL CONSTRUCTION LENDING SUPPLEMENTAL INFORMATION

If Not Applicable, check here ___ and proceed to the next section of this supplemental application.

23. Breakdown of construction loan activity:

This year		
1-4 Family	# _____	\$ _____
Multi-Family	# _____	\$ _____
Commercial Property	# _____	\$ _____

24. Builder's Risk Insurance coverage

Does the company require Builder's Risk Insurance to be written on "all risk" basis? Yes No

Does the company verify Builder's Risk coverage by receiving the original policy prior to the inception of construction activities? Yes No

If either answer is "No", please explain: _____

When a project is completed, or when occupied, Builder's Risk Insurance usually terminates automatically. Please describe the Company's procedure to convert Builder's Risk Insurance to a Standard Property Insurance Policy when construction is complete or occupied: _____

25. Does the Company always obtain a take-out commitment from an institutional lender prior to issuing a commitment to fund construction loans? Yes No

If "No" applies, how is the company protected against the financial failure of a construction project?

26. Where does the Company obtain funds from which to make construction loans?

- Company Funds Yes No
- Permanent Investors' Funds Yes No
- Warehouse Line of Credit Yes No
- Other (specify) _____

27. What type of guarantees are required on a construction loan?

- A. Full personal guarantee of developer Yes No
- B. Guarantee of developer and spouse Yes No
- C. Guarantee of completion bond Yes No
- D. Performance bond Yes No
- E. Other (specify) _____

28. Procedures for disbursement of construction loan funds:

A. Does the Company authorize and pay out land costs and/or fees to the developer for its outside services prior to commencing disbursement of actual physical progress payments? Yes No

B. Is each payout guaranteed by a title insurer after disbursement so that such payouts are protected from mechanics' liens? Yes No

- C. Does the person approving the periodic payouts also approve without any additional physical inspection by anyone else the disbursement of the final holdback to the contractor(s)? Yes No
- D. What percentage of the construction loan funds and reserves for taxes, insurance and subcontractors' retainage are withheld until final completion? _____ %
29. Are progress payments authorized only after physical inspection? Yes No
Describe the extent of physical inspection: _____

How Often? _____ At what stages of construction? _____
By Whom (position)? _____
Is this person the same as the officer or employee who served in soliciting or approving the loans? Yes No
30. Does the company use "in-house" (or outside) appraisers to review construction plans and/or make appraisals?
 Yes No

CASH AND ACCOUNTING SUPPLEMENTAL INFORMATION

31. Does the internal accounting control system require periodic testing (or analysis) of control accounts with respect to the following:

For fees incidental to the processing and closing of loans, which may be expensed when paid by the company?
 Yes No

Receipts and disbursements in control accounts on discounts, commitment fees or similar items? Yes No
If "No", please explain: _____

32. Do all company warehouse lenders hold the original mortgage and note as collateral? Yes No
If "No", what controls do these lenders employ with respect to such collateral? _____

33. A. Are duties segregated so that no single individual has both custodial function and accounting authority (i.e., cash receipts and disbursements) over the company's funds and securities? Yes No
- B. Are transfers from one bank account to another under accounting control (i.e., charges and credits recorded and passed through a ledger account)? Yes No
- C. Are deposit slips compared with cash receipt records by someone other than the cashiers? Yes No
- D. Are all cash balances, bank balances or similar balances reconciled monthly? Yes No
- E. Are reconciliations prepared and supervised by an individual with no responsibility for cash receipts or disbursements by means of checks or wire transfer? Yes No
- F. Does an officer, who is not responsible for the receipt or disbursement of cash, review all reconciliations and question unusual unreconciled items? Yes No
- G. If "No" applies to any of the above questions, please explain how the company handles such function(s): _____

- H. Describe controls on incoming and outgoing wire transfers of money: _____

34. A. Does the company subscribe to MERS? Yes No
- B. Are you actively registering loans on MERS? Yes No
- C. Are you transferring servicing rights on MERS? Yes No

LOSS INFORMATION SUPPLEMENTAL INFORMATION

35. A. During the past 5 years has the company discovered any loss, or received notice of any claim or potential claim, involving any of the following:

- | | |
|---------------------------------------|--|
| Employee Dishonesty/ Fidelity? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Maintenance of Mortgagor's Insurance? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Forged Documents/Checks? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Real Estate Tax Payments? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Burglary, Robbery or Theft? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Errors & Omissions? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Other | |
| (Specify) _____ | |

B. If "Yes", provide full details by a separate attachment. Information provided should include: Date when the loss was first discovered, nature/location of the loss situation, amount(s) lost or paid by insurance along with steps which were taken to prevent a similar loss from recurring.

Please answer:

C. Has the company any knowledge or information, after full inquiry, of any facts, circumstances or events which could give rise to a Mortgage Bankers Bond loss (or claim being made against them)? Yes No

The undersigned authorized person, on behalf of the applicant, attests that to the best of his/her knowledge and belief the statements set forth herein are true. Although the signing of this Application Form does not bind the undersigned to effect insurance, the undersigned agrees that this application and the said statements shall be the basis of the policy of insurance and deemed incorporated therein, should the Company evidence its acceptance of this application by issuance of a policy.

The undersigned authorized person on behalf of the applicant declares that the above statements are true, that neither the undersigned person nor the applicant has suppressed or misstated facts and that at the present time the applicant has no reason to anticipate any claims being brought against the applicant or any representative of the applicant or knowledge of any negligent act, error, omission or offense on the applicant's part or any representative of the applicant except as stated herein, and agrees that this Application Form shall be the basis of the contract between the applicant and the Company and shall be deemed a part hereof.

Signing this form does not bind you to complete the insurance. Coverage will become effective upon approval of the application and issuance of the policy. It is agreed that this form will be the basis of the contract. Should a policy be issued, this form will be attached to and become a part of the policy.

Signature: _____

Title: _____
(Must be signed by Owner, Partner or President)

Date: _____
Month/Day/Year

STATESIDE UNDERWRITING AGENCY

**29 S. LaSalle, Suite 530
Chicago, IL 60603**

**Mortgage Banker/Broker and Escrow Agent
Claim/Circumstance/Administrative Hearings Supplement**

APPLICANT'S INSTRUCTIONS:

1. Complete one form for each claim, circumstance or administrative hearing.
2. If space is insufficient to answer any question, use the reverse side or attach a separate sheet. Answer all questions.

(PLEASE TYPE OR PRINT)

1. Name(s) of individual(s) in the company named in the claim: _____

2. Name of Claimant: _____

3. To what insurance company did you report this claim or incident? _____

A. Date of alleged error: _____

B. Date reported: _____

C. Date first notice received: _____

4. Present status of claim (check one): in suit open circumstance closed

A. If closed:

Total damages paid: \$ _____

Total Defense Costs paid (including any Deductible paid): \$ _____

Indicate whether: court judgment, or out of court settlement.

B. If in suit or open:

Amount asked in summons \$ _____

Claimant's settlement demand \$ _____

Defendant's offer for settlement \$ _____

Insurer's loss reserve* \$ _____

Defense Costs paid to date \$ _____

Your Deductible that will apply to this claim \$ _____

***Unknown is unacceptable. Please contact the insurance company or the defense attorney for a good faith estimate.**

5. Description of claim (provide enough information to allow evaluation and attach a separate page if additional space is required). Alleged act, error or omission upon which claimant bases claim: _____

6. Have you changed policies or procedures as a result of this claim that will reduce the possibility of a similar occurrence? Yes No

If yes, please describe: _____

I/We understand that the information submitted herein becomes a part of the professional liability application and is subject to the same representations and conditions.

FRAUD WARNING: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

Applicant's signature: _____ Date: _____
(Must be signed by an Owner, Officer or Partner)