



Home Mortgage

**DELIVERY AND FUNDING
GUIDE**

April 2006

GENERAL CLOSING REQUIREMENTS

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GENERAL CLOSING REQUIREMENTS

INTRODUCTION

General Information

The following instructions are applicable to FHA, VA, RD, and Conventional bond mortgage loans to be sold to U.S. Bank Home Mortgage (USBHM). All loans will close in the name of the Originating Lenders. The mortgage loans must be readily marketable to prudent investors in the secondary mortgage market. In addition to these instructions, Originating Lenders must comply with individual loan conditions as set forth by the Department of HUD (FHA), the Department of Veterans Affairs (VA), the U.S. Dept of Agriculture (RHS or RD), Fannie Mae, FHLMC (Federal Home Loan Mortgage Corporation aka Freddie Mac), GNMA (Government National Mortgage Association aka Ginnie Mae), U.S. Bank Home Mortgage, and all conditions as set forth in the bond origination documents.

Originating Lenders are responsible for full compliance with the Real Estate Settlement Procedures Act (RESPA), Federal Truth-in-Lending Law, and with supplying USBHM with the correct information to comply with the Home Mortgage Disclosure Act.

Originating Lenders will be responsible for the proper preparation and execution of all legal documents including but not limited to the closing statements, HUD-1 forms and Truth-in-Lending forms.

A complete closed loan package must be received in fundable condition by the Program deadline date for delivery of the loan file for purchase. If the loan being delivered is seasoned (90 days old), the closing loan package must include the original recorded Security Instrument, final Title Policy, original recorded Assignment(s) of Mortgage, if applicable, evidence of insurance on FHA/VA loans, and the original LNG (Loan Note Guaranty – RHS loans). The loan will not be considered eligible for purchase until these documents are provided.

If the loan has exceptions, which prevent immediate purchase, you will receive an individual letter regarding the items/documents needed as well as a stated time to clear the exceptions. Weekly reports of all loans with exceptions will be faxed to the Originating Lender. Failure to clear loans for purchase within the stated timeframe *may* result in the assessment of penalties or the return of the loan file.

Second Mortgages

It is the responsibility of the Originating Lender to approve all **Non**-HFA sponsored types of secondary financing used in conjunction with the first mortgage. Correspondent Lenders **ONLY** for whom we provide underwriting services should submit these programs to U S Bank Home Mortgage – MRBP Division ATTN: Sally Mazzola, Client Support Executive, to review.

Lenders must provide U S Bank in the closed loan file the following information for all forms of secondary financing:

- Copy of Promissory Note
- Copy of Mortgage
- Copy of Gift/Grant Letter
- Other supporting documentation

Closed loan files are required to have a Downpayment Assistance Acknowledgement form for HFA bond sponsored secondary financing.

A. DELIVERY INSTRUCTIONS

1. Closed loan packages must be submitted in the legal sized file folder with all documentation “acco” fastened according to the appropriate Delivery Checklist. The entire closed loan package should be reviewed for completeness and accuracy BEFORE shipping to USBHM.

Loan packages must be sent via overnight delivery to the following address:

U.S. Bank Home Mortgage 17500 Rockside Road Bedford, Ohio 44146 Attn: MRBP Operations Department

2. U.S. Bank Home Mortgage Loan Number is the permanent Servicer loan number. It is to be used on all forms and correspondence given to the Mortgagor(s) at closing. The loan number will be assigned when the loan information is registered either via McWeb, by the Housing Agency, or by direct lock-in (check program guidelines for registration procedures). *This is N/A for certain programs.*
3. The Participation Contact Information sheet should be completed and submitted to USBHM immediately (See FORMS section). The office or department responsible for shipping the closed loans to USBHM should supply this information. If you currently participate in other programs being serviced by USBHM, and/or if you have personnel changes that affect this information at any time during the programs, please send the updated information to us immediately so that we have the most current contact information. Wiring instructions must be included with this form. Wiring instructions are computer-coded by USBHM when initially received. Please notify USBHM of any changes to the initial wiring instructions. U.S. Bank Home Mortgage will not be responsible for the incorrect wiring of funds if a notification was not received. ***NOTE* U.S. Bank Home Mortgage will wire funds to only one bank. Multiple warehouse banks cannot be accommodated.***

NOTE:

- ? All documents must be complete and accurate.
- ? Whiteouts are not acceptable.
- ? Strikeouts must be initialed by the appropriate party.
- ? Holes cannot be punched through recording information.
- ? Information in any one document must agree with all information on other documents.
- ? All signatures must be identical to the printed or typed name.
- ? All certified copies must be an original certification with original signatures of initials.
- ? Certified copies of recorded documents (Assignments) must state “certified copy of the original document that has been sent for recordation”.

B. FUNDING DOCUMENTATION REQUIREMENTS

This section is to clarify the funding documentation requirements for most loans. *The documentation mentioned herein may not necessarily fulfill all requirements for all loans submitted to U.S. Bank Home Mortgage for purchase.* U.S. Bank Home Mortgage reserves the right to require additional documentation needed to enhance a loan file on the case-by-case basis. Please ensure that each document submitted is properly completed and correct.

1. Note: Original Note Required.

- i. Note date must be typed and must agree with the date on the Deed of Trust/ Mortgage and HUD I.
- ii. City and state where executed must be completed.
- iii. The property address must agree with the Deed of Trust/ Mortgage, Appraisal and HUD 1.
- iv. The loan amount must be correct, numerically and alphabetically, and must be rounded down to the nearest dollar.
- v. The Originating Lender's name must be correct.
- vi. If the Originating Lender Name includes a "DBA" (Doing Business As) or any variation of the Company Name, please include all supporting documentation.
- vii. Interest rate must be correct, numerically and alphabetically.
- viii. The first payment date must be correct as per the calculation of Per Diem Interest collected on the HUD I.
- ix. Maturity date must be correct.
- x. Principal and Interest amount must be accurate.
- xi. The grace period may not exceed 15 days, late charge not to exceed 5% (Conventional loans), or 4% (FHA/VA/RD loans) or the maximum allowable in your state.
- xii. The borrower's name must be typed under their signatures. All borrowers listed on the loan application must execute the Note.
- xiii. The Borrower(s) must sign exactly as their names appear in type (inconsistencies will require a Name Affidavit)
- xiv. The correct acceptable Note form must be utilized.

1. Conventional fixed rate must use the most recent Fannie Mae/ FHLMC multi-state note.
 2. FHA must use most recent HUD Note.
 3. VA must use most recent VA form and be notarized if form requires it.
 4. RD loans should use the most recent HUD note. If a Fannie Mae note is used for RD loans, an allonge to the note will be required with the “borrowers right to prepay” paragraph deleted (XXX). The borrowers must initial the deletion.
- xv. FHA Notes must include the case number in the upper right hand corner. Case number agrees with Certificate of Commitment or MIC/LGC/Note Guaranty.
- xvi. All parties must initial corrections. Corrections must be made by slashing through (///) or x’ing out the incorrect information typing above or below “slash” or “x” marks. All borrowers must initial all errors. Whiteouts are not acceptable. All pages of corrected Note must be included.
- xvii. Properly completed applicable Addendums and/or Riders must be included.
- xviii. **Endorsement** on Note – (Please follow the Example Provided)

<p>Pay to the Order of :</p> <p style="text-align: center;">U.S. Bank N.A. Without Recourse</p> <p>By: _____ (signature) XYZ Mortgage Corporation (full legal name) John Doe, Vice President (typed name & title)</p>
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1. Be sure to type the name of your institution and the name and title of the officer endorsing the Note.
2. All endorsements should be made on the back of original Note only. An allonge is acceptable only if there is no room on the Note for an endorsement. The allonge must reference the borrower’s name, property address and loan amount. Endorsements on Riders or Addendums are not acceptable.
3. Cancelled endorsements should be lined through or stamped “CANCELLED” and initialed.
4. The endorsements must follow the chain of title.

If an original note needs to be returned to you for any reason, it will be sent by overnight mail at your expense. When corrected, it is to be returned overnight. If the note comes from your bank with a bailee letter, it will be returned to your bank.

2. Name Affidavit (If applicable):

- i. Must be notarized (signed and dated by notary).
- ii. Indicate that the individual is known by more than one name or variation.
- iii. The property address is identified.
- iv. The affiant has signed the affidavit.
- v. The original affidavit is in the loan file.

3. Power of Attorney (If applicable):

- i. U.S. Bank Home Mortgage accepts only a Limited (Specific) Power of Attorney in those cases that require one. **Exception: Active Military Duty.*
- ii. It must be clear that the mortgagor is appointing a Power of Attorney.
- iii. It must be clear who is being appointed with a Power of Attorney.
- iv. The Power of Attorney must be signed and dated by the appointer (the mortgagor).
- v. The copy of the Power of Attorney must be notarized.
- vi. The Power of Attorney cannot expire prior to the execution of the loan documents if there is an expiration date.
- vii. The property address and legal description must agree with the Mortgage/Deed of Trust.
- viii. The Power of Attorney must be recorded concurrently with the Deed of Trust/Mortgage.
- ix. The person being appointed with the Power of Attorney is “Attorney in Fact” and must sign the closing documents as follows:

Jane Doe By John Doe, Her Attorney-in Fact

The signature could be: “Jane Doe by John Doe, Her Attorney-in Fact”, “John Doe, Attorney-in Fact for Jane Doe: or John Doe”. The manner of signing must be legally acceptable according to state guidelines and must clearly show the signer to be the one authorized to sign for the other specifically named individual.

- x. Must meet applicable state requirements.
- xi. The Title Company must insure a valid Power of Attorney and that seller has a valid first lien.
- xii. The final Title Policy must not contain any exceptions based on the use of the Power of Attorney.

ASSIGNMENT OPTIONS:

4. Corporate Assignment—AKA Assignment of Mortgage, Transfer of Lien, Assignment of Security Deed. N/A if **MERS** Loan.

- i. All information contained in the Corporate Assignment must be complete, correct and agree with the Deed of Trust/Mortgage and Note.
- ii. It must contain the legal description of the property, which is identical to that on the Deed of Trust/Mortgage.
- iii. It must be signed by an officer of the assigning corporation with the officer’s name and title typed below the signature. The name of the assigning corporation must appear above the signature line.
- iv. Copies must be a “*certified true and exact copy*”, must carry a live ink signature of the person making the certification, and must be fully notarized, with stamp, seal and expiration date of notary.
- v. Intervening Assignments must conform to the guidelines stated above.

MERS (Mortgage Electronic Registration System):

USBHM is a member of MERS. MERS is an electronic registration system that tracks the ownership and servicing rights of a loan. If you are a member of MERS, USBHM will accept your MOM (MERS as Original Mortgagee) documents. If MOM loan, all security instruments should continue to be transferred to MERS Originator ID 1000212. If you are not a MERS member, you will need to close the loan using the customary mortgage forms and assignments.

When you are MERS ready and will be shipping your first MOM loan, U.S. Bank Home Mortgage will need your Organization ID number (ORG ID) and the name and phone number of a contact person. A MERS Contact Sheet is provided for your use (See FORMS

section). USBHM's system must be updated with your ID number and a lack of notification could result in a purchase delay.

MIN (Mortgage Identification Number) and telephone number must be accurate.

If MOM documents have been used, please do not include copies of any assignments in the loan file that is shipped to us, as they are unnecessary. If you are a member using a customary mortgage form, but will be registering the loan with MERS, a copy of the assignment to MERS must be included in the shipped loan file. U.S. Bank Home Mortgage requires that the Beneficial and Servicing Rights be transferred to us within ten (10) business days of purchase.

****NOTE: SECOND MORTGAGES SHOULD NOT BE REGISTERED WITH MERS.***

5. Deed of Trust/Mortgage (Security Instrument) – (If MOM loan, all security instruments should continue to be transferred to MERS Originator ID 1000212)

- a) Copies must be certified as true and exact copies of the original. Appropriate, complete Riders must be attached.
- b) The Notarized section must be completely filled in and signed by a notary. The stamp/seal and expiration date is required.
- c) The date of the notary must be the same date of the security instrument.
- d) All information contained on the Deed of Trust/Mortgage must be complete, correct and agree with the Note and Corporate Assignment. The typed names of the borrowers must be included under the signature line and must match the borrower's names as shown on the faces of the Security Instrument.
- e) All parties who have an interest on the property (i.e., spouses in community property states) must have signed.
- f) The acceptable forms should be utilized:
 - Conventional loans must use most recent Fannie Mae /FHLMC form.
 - FHA loans must use most recent HUD form.
 - VA loans must use most recent VA form.
 - RD loans must use most recent HUD form.
- g) All Mortgagors must initial all corrections, additions and deletions. **Whiteouts are not permitted.**

6. Assignment of Rents 1-4 Family Rider

- a) The date must match the Note and Deed of Trust/Mortgage.
- b) The name of the lending institution must agree with the Deed of Trust/Mortgage.
- c) The property address must match that on the Deed of Trust/Mortgage.
- d) The borrower's typed names must be the same as on the Deed of Trust/Mortgage.
- e) The borrowers must have signed as their name is typed and must match Deed of Trust/Mortgage.
- f) The original must be recorded.
- g) This form is mandatory on all properties with rental income or more than one unit.

7. Rehabilitation Loan Rider (*If applicable for current Bond Program. Refer to the Program Origination Agreement)

- a) The date must match the Note and Deed of Trust/Mortgage.
- b) The name of the Originating Lender must agree with the Deed of Trust/Mortgage.
- c) The property address must match that on the Deed of Trust/Mortgage.
- d) The borrower's names typed must be same as on Note, Deed of Trust/Mortgage and as vested on the Title Policy.
- e) The borrower(s) must have signed as typed and match the Deed of Trust. Mortgage.
- f) Rehabilitation Loan Agreement date must be inserted.
- g) The FHA case number must be complete and correct.
- h) The original must be recorded.

8. Condominium Rider

- a) The date must agree with the Deed of Trust/Mortgage.
- b) The Originating Lender's name must be the same as on the Deed of Trust/Mortgage.
- c) The property address must match that on the Deed of Trust/Mortgage.
- d) The correct name of the Condominium Project must be listed on the rider and match the Title Policy.
- e) The borrower's names typed same as on the Note, Deed of Trust/Mortgage and as vested on the Title Policy.
- f) The borrower(s) must have signed as typed and must match the Note and Deed of Trust/Mortgage.
- g) The original must be recorded.
- h) A completed rider is required on all condominium transactions.

9. PUD Rider

- a) The date must be the same on the Deed of Trust/Mortgage.
- b) The Originating Lender's name must agree with the Deed of Trust/Mortgage.
- c) The property address must match that on the Deed of Trust/Mortgage.
- d) The correct name of the PUD Project must be listed on the rider and match the Title Policy.
- e) The borrowers names typed same as on the Note, Deed of Trust/Mortgage and as vested on the Title Policy.
- f) The borrower(s) must sign the same as typed and must be the same as on the Deed of Trust/Mortgage.
- g) The original must be recorded.
- h) A completed rider is required on all PUD transactions.

10. VA Rider

- a) The closing date must match the Note and Deed of Trust/Mortgage.
- b) The name of the Originating Lender must agree with the Deed of Trust/Mortgage.
- c) The property address must match that on the Deed of Trust/Mortgage.
- d) The borrower's name typed must be that same as on the Note, Deed of Trust/Mortgage and as vested on the Title Policy.
- e) The borrower(s) must have signed their name exactly as typed and as on the Deed of Trust/Mortgage.
- f) The original must be recorded.
- g) A completed rider is required on all VA loan transactions.

11. HUD-1 Settlement Statement

Check HUD I:

- a) Type of loan – proper box is marked.
- b) Name of borrower agrees with the name on all legal documents.
- c) The name of seller is identified and completed.
- d) The name of the Originating Lender is identified and completed.
- e) The property location agrees with Note, Deed of Trust/Mortgage and appraisal and loan application.
- f) The settlement date is reflected. This date may or may not be the same as on the Note and Deed of Trust/Mortgage.
- g) The summary of borrower's transaction:
 - 1. The contract sales price must agree with the sales contract.
 - 2. The principal amount of the new loan must agree with the loan amount stated on the Note and Deed of Trust/Mortgage.

3. If the loan contains a buydown agreement, the total buydown funds will be shown in either borrower's column or seller's column. In addition to buy down funds reflected here, escrow holdbacks may be shown under this heading.
4. The **HUD I clearly list all mortgage assistance or grants** provided to the borrower.
5. FHA/VA loans must reflect the Mortgage Insurance Premium (MIP)/and Funding Fee (FF) paid. RD loans must have the guarantee fee paid.
6. The Hazard Insurance premium prepaid for 12 months is acceptable in lieu of a paid receipt. *HUD I must indicate payment directly to the Insurance Provider.*
7. The Flood Insurance premium prepaid for 12 months is acceptable in lieu of a paid receipt. *HUD I must indicate payment directly to the Insurance Provider.*
8. All Bond Loans must be escrowed and have adequate reserves deposited with the lender. Conventional loans with loan-to-value (LTV) below 80.00% may or may not reflect reserves. *(Requests for an escrow waiver on loans with an LTV below 80% will be reviewed on a case-by-case basis and will be subject to a .25 price adjustment at loan funding. Adequate reserves for taxes/insurance, etc. must be shown to have been collected to insure there are sufficient funds available to pay the next installment when due).*
9. Both the borrower and seller must sign the HUD-1 settlement statement (if the loan transaction is a purchase). Only the borrower's signature is required if the loan transaction is a refinance. The settlement agent must sign and date this document in either case.
10. Addendums must be executed by all parties.

11a. Escrow Holdbacks

Escrow holdback for repairs is permitted under the following guidelines: (1) The HFA must permit it in the bond program. 2) The Underwriter on the loan must be the person who will grant the escrow approval. 3) Determine that the loan meets all requirements of FHA, VA, RD, Fannie Mae or Freddie Mac guidelines for properties that require the holding of monies in an escrow account for repairs. **Prior approval by U.S. Bank Home Mortgage for escrow holdbacks is no longer required.**

Lenders delivering the closed loan file to USBHM must ensure that the appropriate documentation is in the file and the escrow holdback is clearly identified on the HUD I. Lenders are responsible for maintaining the escrow account and must provide USBHM with proper documentation when the repairs have been completed and the escrow holdback is complete.

12. Temporary Buydowns (**If applicable for current Bond Program. Refer to the Program Origination Agreement*)

- a) A buydown is a financial incentive offered by the seller (frequently also the builder) to a buyer, which enables the buyer to reduce the mortgage payment in the early stages of the loan. This may also allow the borrower to more easily qualify for the loan. The buydown funds are held by U.S. Bank Home Mortgage and are used to supplement the borrowers payment.
- b) When U.S. Bank Home Mortgage buys the loan, the buydown contribution will be deducted from the wire amount in the same way as other collected escrows for insurance and taxes.
- c) To document the buydown, there must be an original, signed buydown agreement in the closed loan package.

13. Title Commitment—AKA Title Binder or Preliminary. (*Please refer to Title Insurance Requirements*)

- a) Purchase transactions should show the borrower(s) as the “proposed insured”, which may or may not be accompanied by a vesting.
- b) The proposed dollar amount of the Deed of Trust/Mortgage.
- c) The legal description agrees with the Deed of Trust/Mortgage and the appraisal.
- d) The date must be the same or prior to the Deed of Trust/Mortgage.
- e) Schedule B items, such as delinquent taxes, judgments and liens must be paid on HUD-1.
- f) A copy of the survey or plat map is needed unless a location endorsement has been ordered. The commitment must contain wording such as “a comprehensive endorsement and location note have been approved for loan policy”. The address of the property will also be noted.
- g) Attorney’s opinion letter (if applicable to your state) must be included. Do not include the Abstract of Title.
- h) All title insurance must include an Environmental Protection Lien Endorsement (8.1).
- i) The latest ALTA form of title insurance policy is required. In states where ALTA forms are not used, similar coverage will be required.

- j) ALTA policies must be audited for proper endorsements (i.e., EPA endorsement 8.1, PUD endorsement ALTA 5, Condo endorsement ALTA 4, Manufactured Housing Endorsement ALTA 7, etc.)
- k) An ALTA 9 endorsement to the title policy must be obtained for loans where surveys are not required.

14. Surveys or Plat Survey

- a) A survey will be required if evidenced on the HUD-1 that there has been a charge for a survey, or if it is required by your State. If a survey is not required, an Alta 9 endorsement to the title policy must be obtained.
- b) The Survey identifies the property by the street address or the legal description, (preferably both).
- c) Must be signed and sealed by surveyor.
- d) A photocopy of the survey is acceptable.

15. Flood Certification

All files must contain a Life of Loan Flood certification from an outside third party.

16. Hazard Insurance

U.S. Bank Home Mortgage requires an insurance policy or binder (if in a binder state) with a paid receipt for one year.

- a) The policy must reflect the borrower(s) name(s).
- b) The original policy must contain the agent(s) signatures, their address and telephone number. It must also reflect the company name and policy number.
- c) The coverage amount must be for at least the amount of the loan or for full replacement coverage. (Some states limit required coverage to amount of improvements).
- d) The policy is in effect on the day of closing (coverage in force).
- e) The full property address must be referenced.
- f) Provide proof the policy is paid for the first year.

- g) Provide evidence that **U.S. Bank N.A.** had been named as First Loss Payee. The Loss Payee should read:

U.S. BANK N.A. its successors and or assigns as their interest may appear.
c/o U.S. Bank Home Mortgage
P.O. Box 7298
Springfield, OH 45501-7298

- h) Deductibles may not exceed the highest of \$1,000, or 1% of the face amount of the policy for a single-family dwelling.
- i) A 60-day binder (*where applicable*) is acceptable with a one year paid receipt. *Check origination agreements for specifics.*
- j) A copy of the hazard policy for condos will be required when applicable.
- k) U.S. Bank Home Mortgage will deduct the required amount of hazard insurance escrow from the wire amount to insure sufficient funds to pay the premium when due. The Originating Lender will be responsible for collecting any shortage from the borrower(s).
- l) For conventional loans on a 2-4 unit dwelling, you must provide us with a policy that includes “rental loss” insurance if you used the rental income to qualify the applicant.
- m) For properties in an association such as a townhouse or condominium, there is customarily a Master Policy with Certificates issued to each borrower. This will be acceptable as evidence of insurance.
- n) Any payment of premiums due before the first payment to U.S. Bank Home Mortgage will be the responsibility of the Originating Lender as will all other late charges, penalties and other costs.

Acceptable Evidence of Payment of Hazard Insurance

1. Policy stating premium amount is paid in full.
2. Cancelled check (copy of front).
3. A paid receipt from the insurance agent or insurance company.
4. Payment deducted on the HUD-1.

17. Flood Insurance

Note: Loans on properties in a non-participating community, that are located in a flood zone, will NOT be eligible for purchase.

- a) Flood Zones A and V require flood insurance.
- b) Flood Insurance Application must reflect the borrower(s) name(s).
- c) The coverage must be equal to the loan amount or the maximum available under the National Flood Insurance Program's regular program.
- d) The Policy is in effect (coverage is in force) as of date of closing.
- e) The full property address must be referenced.
- f) Evidence that the policy is paid for first year.
- g) Evidence that **U.S. Bank N.A.** has been named as First Loss Payee. The Loss Payee should read:

U.S. BANK N.A., its successors and/or assigns as their interest may appear.
c/o U.S. Bank Home Mortgage
P.O. Box 7298
Springfield, OH 45501-7298

- h) Deductibles may not exceed the highest of \$1,000, or 1% of the face amount of the policy for a single-family dwelling.
- i) The name of the borrower(s) and the property address must appear on the Flood Insurance Application.
- j) Any premiums which are due before the first payment to U.S. Bank Home Mortgage will be the responsibility of the Originating Lender as well any late charges or penalties assessed with the late payment.

Acceptable Evidence of Payment of Flood Insurance

- 1. Policy stating premium is paid in full.
- 2. Cancelled check (copy of front).
- 3. Paid receipt from insurance agent or insurance company.
- 4. Payment is deducted on the HUD-1.

18. PMI - Private Mortgage Insurance

U.S. Bank Home Mortgage requires Private Mortgage Insurance (PMI) on all Conventional Mortgage Loans with a Loan-To-Value (LTV) in excess of 80.00%.

- a) Original commitment must be in the file with the lender's information completed on the bottom and signed by the lender.
- b) Coverage must equal or exceed the loan amount. Private Mortgage Insurance is required on all mortgages where the loan-to-value exceeds 80.00%. Please refer to the program guidelines for Private Mortgage Insurance requirements.
- c) Evidence that premium has been paid must be reflected on the HUD-1.
- d) Amount of coverage must be correct per product guidelines.
- e) All information must be complete, and agree with loan file.

? Acceptable Fannie Mae Private Mortgage Insurance Companies

GEMICO	RADIAN	UGI
RMIC	MGIC	PMI

One-time MI premiums offered by some mortgage insurance companies are acceptable provided that total LTV doesn't exceed 95% including MI premiums. *Any program LTV limitation would take precedence on Fixed Rate Purchases and Fixed Rate Refis.*

The monthly MI premium plan is acceptable for all loan programs requiring mortgage insurance. The monthly premium plan is currently available through all the approved primary MI companies (see above). Two month's premiums must be collected at closing and non-refundable premium rates should be used. Check with your local MI company representative to make sure the program is available in your area.

U.S. Bank Home Mortgage requires full MI coverage per Fannie Mae/FHLMC requirements and **will not accept reduced MI coverage.**

19. MIP - Mortgage Insurance Premiums

Effective January 1, 2006, Condominium (234C) and Home Rehabilitation loans (203K) are subject to an up-front premium. The Up-Front MIP rate that should be charged is 1.5%.

** Refer to MORTGAGEE LETTER 2005-38*

20. Completed Transfer of Servicing form on FHA and RD loans.

**NOTE – Insuring of all FHA, RD, and VA loans must be done within 60 days of loan closing.*

21. Typed Loan Application

Mortgage loan applications taken on or after July 1, 2006 must use the revised Uniform Residential Loan Application. Refer to MORTGAGEE LETTER 2005-39.

- a) Fannie Mae 1003 must be utilized for all Conventional, Government and RD mortgage loans.
- b) The typed Loan application must contain the verified information from the credit report, exhibits and appraisal. Any discrepancy requires a written explanation.
- c) All borrowers must sign and date the Loan Application.
- d) The Loan Application must be signed by the lender.
- e) Interest rate and loan amount must be completed.
- f) How the title is held should be indicated.
- g) Home Mortgage Disclosure Act (HMDA) information section must be complete.
*New HMDA requirements must be followed.
- h) All Second Mortgage loans must be clearly identified on the 1003.

22. Appraisal

EFFECTIVE 1-1-2006: All FHA appraisals must be completed on one of the following Fannie Mae Appraisal Forms. Refer to MORTGAGEE LETTER 2005-34.

- Fannie Mae Form 1004 - all 1 unit single family dwelling
- Fannie Mae Form 1004C - all manufactured homes
- Fannie Mae Form 1073 - all individual condominium units
- Fannie Mae Form 1025 - all 2-4 single family dwellings

These forms are available online at efanniemae.com/index.jsp

Both forms 2055 and 2075 are accepted, but must have interior and exterior inspection reports. **Note – these forms will be accepted by USBHM as long as the Agencies (Fannie Mae, Freddie Mac, Ginnie Mae, FHA, VA, RD) continue to approve their use. Lenders are responsible for following Agency Guidelines for Appraisal form usage.*

- a) The appraisal was signed by the appraiser prior to approval of the loan.
- b) The appraiser is qualified and disinterested in the subject transaction.

- c) The appraiser has made both exterior and interior inspections of the property.
- d) The property address agrees with the Note and Mortgage.
- e) If the lender/client is not the lender referenced on the Note, one of the following will be required:
 - 1) Credit Transfer Letter
 - 2) Copy of HUD Case Assignment Results
 - 3) Sponsor relationship reflected on page 1 of HUD form 92900A
- f) The appraisal must be dated within 6 months of loan closing. A re-certification of value will be required if the appraisal is over 6 months old.
- g) Original photos of the subject and comparables are required. Printed digitals are acceptable.
- h) U.S. Bank Home Mortgage reserves the right to request a review appraisal if not satisfied with the one delivered. The originating lender will pay this cost.
- i) Wood Destroying Insects/Organisms: FHA is only requiring inspections if evidence of active infestation, or if mandated by state or local jurisdiction customary to that area.

23. W-9 Forms

Federal regulations require us to have in each loan transaction, verification of the social security numbers for each borrower. The completed W-9 form signed by all mortgagors satisfies this requirement. The form is to be completed with the name, mailing address and social security number of the mortgagor. Each W-9 form must be signed and dated.

24. IRS Forms 4506

U.S. Bank Home Mortgage requires IRS Form 4506 to be executed by the borrower(s) on any loan that is underwritten using alternative documentation (virtually all LP or DU approvals). A signed Form 4506 must accompany all packages submitted for validation of underwriting approval. Also, a Form 4506 will be required on all loans for which tax returns have been obtained, including self-employed borrowers.

25. Truth-in-Lending

All fees considered finance charges must be included in the calculation of the total finance charge and the APR. Any finance charges paid by the borrower outside closing must be included in the calculations. Any finance charges paid by the seller or another third party should not be included in the calculation. If the seller is paying a pre-determined amount of the borrower's closing costs, all fees that are not finance charges should be paid first before applying the seller credit to any of the finance charges. *Please note that the INITIAL TIL must be dated within three (3) days of application.

26. Notice to Mortgagor Regarding Actual Transfer of Servicing

The notice to the mortgagor advising them of the actual transfer of servicing must contain the required RESPA information. The Cranston Gonzales Act requires the borrower(s) to receive notification at least fifteen (15) days prior to the effective date of the transfer. U.S. Bank Home Mortgage suggests using the Notice of Assignment, Sale or Transfer of Servicing Right form when notifying the borrower(s) that the loan has been sold to U.S. Bank Home Mortgage. Any equivalent type of "Good-bye" letter is acceptable as long as it has all the required information. This disclosure must provide the borrowers with the name of the new servicer, the address and toll-free phone number:

U.S. Bank Home Mortgage
17500 Rockside Road
Bedford, OH 44146
1-800 240-7890

C. AGGREGATE ESCROWS

Originating Lenders will be responsible for collection of the appropriate amount of taxes and insurance.

The "Aggregate Method" of calculation must be used for establishing escrow accounts. It can be defined as the accounting method a lender or bank uses in computing the sufficiency of the escrow account funds by analyzing the account as a whole. Originating Lenders are responsible for collecting the correct amount of escrows at closing. If insufficient funds are collected at closing U.S. Bank Home Mortgage will require the Originating Lender to correct the shortage in addition to providing the borrower with a re-disclosed initial escrow account statement. The shortage must be corrected prior to purchase by U.S. Bank Home Mortgage.

***Please note that U.S. Bank Home Mortgage will not fund loans with negative escrow.**

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

D. FIRST PAYMENT DATE

All loans must be closed with the monthly payments due on the first day of each month. The first payment should be set so the borrower, when making the first payment, will pay an entire month's interest. First payment dates cannot exceed 61 days from disbursement.

Example: Closing date is May 1st- First payment is June 1st. The borrower would pay May's interest with the June payment.

Closing date is May 2nd-First Payment is July 1st. The borrower would pay interest from May 2nd through May 31st at closing; June's interest would be paid with the first payment (July 1).

Per Diem is calculated on 365-day basis.

D1. NOTES DELIVERED BY WAREHOUSE BANK

If your Notes are delivered directly to us from your Warehouse Bank, they must be delivered in identifiable form. Please instruct your Warehouse Bank to attach the Note to a cover sheet, which reflects the identifying U.S. Bank Home Mortgage loan number, borrower's name and the property address. This will enable us to quickly match the Note with the corresponding closed loan package. Please make your bank aware that it is critical that the Note be delivered to the following address:

U.S. Bank Home Mortgage
17500 Rockside Road
Bedford, OH 44146
Attn: MRBP Bond Operations

E. EXCEPTION (SUSPENDED) LOANS

Loans that are not in fundable condition must be perfected within **30** days of notification by USBHM to Originating Lender. A late fee may be assessed on any loan where the deficiency is not corrected within the required program timeframes (*refer to the specific Program Guidelines*).

Documentation sent to U.S. Bank Home Mortgage to clear a suspended loan, must be properly identified. Please address all exception documentation to the attention of MRBP Bond Operations.

F. FUNDING

Upon receipt of a complete, "exception free" closed loan package, U.S. Bank Home Mortgage will wire funds according to the wire instructions provided. A purchase confirmation detailing the transaction will be faxed on the day that funds are wired.

U.S. Bank Home Mortgage will calculate interest paid-to-date on a 360-day calendar year.

Any loan purchased between the 16th and the last day of the month, where the first payment is due the following month, will be funded at an amortized balance. It will be the Originating Lender's responsibility to collect that payment from the mortgagor.

Any payment of taxes, homeowners or flood insurance, which are due before the first payment due to U.S. Bank Home Mortgage, will be the responsibility of the Originating Lender. The Originating Lender is also responsible for late charges, penalties and other costs if they are not paid. To assure that MIP is paid timely and the borrower's escrow account is not negatively impacted, U.S. Bank Home Mortgage will collect and pay all MIP premiums unless a payment history is provided reflecting disbursement of the MIP. If the Originating Lender pays the MIP in error, the Lender must obtain the refund from HUD.

A loan history is required on loans where payment(s) were due on the first of the previous month (i.e., first payment due per Note is May 1; loan to be purchased on June 15). It is the Originating Lender's responsibility to forward an updated history if the history previously provided is outdated.

Mortgage payments received after U.S. Bank Home Mortgage purchases a loan must be forwarded to:

U.S. Bank Home Mortgage
P.O. Box 468002
Bedford, OH 44146-8002
Attn: Payment Processing Department

Tax bills received after U.S. Bank Home Mortgage purchases a loan must be forwarded to:

U.S. Bank Home Mortgage
4801 Frederica Street
Owensboro, KY 42301-0989
Attn: Tax Department

G. POST-FUNDING FOLLOW-UP DOCUMENTATION

Any required post-funding follow-up documentation will be notated in a letter that is sent to the Originating Lenders. The required follow-up documentation must be delivered to U.S. Bank Home Mortgage by the deficiency due date. If not, you may be required to repurchase loans(s) within 30 business days of a written demand by U.S. Bank Home Mortgage.

A copy of the Exception Letter/Report must be attached to all documentation that is sent to U.S. Bank Home Mortgage to clear a post-funding deficiency.

H. FINAL DOCUMENTATION

All final documentation must be delivered to U.S. Bank Home Mortgage within 90 days of the date of purchase. Failure to provide documentation within this timeframe may result in penalties or possibly repurchase of the loan. If required to repurchase the loan, a wire must be received within 30 business days of the written demand by U.S. Bank Home Mortgage. USBHM may elect to collect outstanding documentation. If so any costs associated with the collection will be invoiced to the correspondent with timely reimbursement expected.

Original loan documents to be received by USBHM within the 90 day period include:

1. Title Policy with applicable endorsements.
2. Recorded Deed of Trust/Mortgage or applicable security instrument.
3. Recorded Corporate Assignment, or its equivalent.
4. Mortgage Insurance Certificate (MIC) *FHA loans/Loan Note Guarantee (LNG) RD loans*, Loan Guaranty Certificate (LGC) *VA loans*.
5. Recorded Power of Attorney.
6. Recorded Deed of Trust/Mortgage for Second Mortgage (if applicable).
7. Recorded Corporate Assignment for Second Mortgage (if applicable).

All follow-up documentation, along with the Final Closed Loan Package Transmittal (see Forms section) should be forwarded as shown below.

U.S. Bank Home Mortgage
17500 Rockside Road
Bedford, OH 44146
Attn: Document Control

I. TITLE POLICY INSURANCE REQUIREMENTS

U.S. Bank Home Mortgage will accept a title insurance policy issued by an American Land Title Association Title Company (ALTA) specially authorized by law or licensed to do business within the state where the property is located. Title Insurance Companies must be acceptable to Fannie Mae, Freddie Mac and Ginnie Mae in order to be eligible title insurers for loans purchased by U.S. Bank Home Mortgage. Short form policies are encouraged.

If the final title policy has not been issued at the time you deliver your closed loan file to U.S. Bank Home Mortgage we will accept a title binder. Your final title insurance policy must contain the following:

- 1) Insured Party in Schedule A – The original mortgagee or assignee should be reflected with “Its Successors and/or Assigns” added.
- 2) U.S. Bank Home Mortgage must hold a valid first lien position. **Note:** We require that 2nd mortgage is listed in a subordinate lien position on same policy as the 1st mortgage or a separate policy.
- 3) The effective date of the policy must be the same as or later than the recording date of the security instrument unless the policy is a master policy or a short form policy.
- 4) The complete legal description must be shown, if applicable, including lot, block, addition, city, county and state and be exact to the mortgage.
- 5) The complete tax identification number and amount of taxes must be shown unless the policy is a master policy or a short form. (Some states may not show the amount of taxes).
- 6) Title insurance coverage must be for at least the loan amount. On graduated payment mortgages, coverage must be for the highest loan amount after all deferred interest is added to the principal.
- 7) Name(s) of the mortgagor(s) must be consistent with those on the security instrument.
- 8) All titles must be held as Fee Simple.
- 9) The mortgagor(s) and mortgagee/beneficiary names, loan amount and date, recording information and recording state entered in Schedule A should be checked against the security instrument. The following is a sample entry containing all required information:

Mortgage from Robert T. Jones and Cynthia R. Jones, husband and wife, to U.S. Bank N.A., dated January 20, 1996, and recorded January 25, 1996 in Book No. 451, Page 3544, as Document No. 1242534 in Jefferson County, Kentucky, in the amount of \$50,000.00. Note: if the security instrument has been re-recorded, the security instrument description must show the re-recording information.
- 10) If a borrower’s spouse has not signed the security agreement, the title insurance policy must affirmatively state that the lien of the Mortgage described on Schedule of the policy is not affected by the absence of the spouse’s signature.
- 11) A plat drawing/survey/”Mortgage Inspection Report” must be included in the closed loan package. The correct dimensions of the lot, the location of any improvements, the measurement from the improvements to the various lot lines, the location and identity of all easements and encroachments must be

identified and illustrated on the drawing. All permanent structures must be identified (i.e., house, garage, storage, etc.) The location of easements (east side, west side, etc.) must be described in the title policy.

- Surveys are acceptable up to six months old.

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

12) Required Endorsements:

U.S. Bank Home Mortgage requires the following endorsements to the final title policy:

- All loans require the Comprehensive Endorsement 100 or ALTA 9.
- All loans require the Environmental Protection Lien Endorsement (ALTA 8.1).
- All condominium mortgages require the Condominium Endorsement (ALTA 4).
- All properties located in a planned unit development require the PUD Endorsement (ALTA 5).
- All manufactured homes require an ALTA 7. Manufactured housing refers to housing produced in or at a factory. The sections are transported to the building site for final assembly. Mobile Homes meeting the specifications below are considered manufactured housing but modular, panelized or prefabricated homes are not considered manufactured housing. Manufactured housing must meet the following specific requirements: **NOTE all Manufactured homes must be eligible products as defined by the program documents.*

Additionally:

- Property must be legally classified as real property.
- Maximum lot size is 10 acres (In general land value should be no greater than 35% of the overall property value.
- Its property must have a general appearance and functional utility of a site –built home.
- The unit must have been built after June 15, 1976.

- A unit must be double wide or larger with a minimum width of 22 feet.
- An appraisal or other acceptable alternative with original photos or high quality copies must be in the file. Comparables must include no more than one-site built home. The comparables and comments must support marketability and value. The value may not include furniture; free standing appliances or other items of a personal nature.
- The home must be permanently attached and anchored per manufacturer specifications and/or state/local building codes. The home must also have acceptable full perimeter walls that include brick, block and poured concrete or treated wood.
- Wheels, axles and trailer hitches must be removed.
- The home must have a pitched roof with overhang. Roof covering must be standard composition shingle (asphalt or fiberglass) or better.
- The unit must have permanent steps and stoops or proper footings.
- On-site parking must be provided.
- Not permitted on Conventional loans.

J. General Title Waivers

Title to the mortgaged property must be free and clear of all exceptions that would affect the first lien position of U.S. Bank Home Mortgage in any way. Schedule B, Part 1 of the title binder and final title policy lists title exceptions for which the title company is not providing coverage. Before closing, Originating Lenders must determine what action, if any, should be taken to protect the interest of U.S. Bank Home Mortgage in the case of each such exception appearing on Schedule B, Part 1.

The Title insurance industry is in the business of insuring over the title to property, not over its value. If the defect in question has potential effect on the chain of title, the title company should insure over it on the final title policy, either by specific wording on Schedule B or by endorsement.

Examples of such defects are those referred to as:

“Covenants”, “Conditions”, “Restrictions”, “Declarartions”, “Agreements”, “By-laws”, etc. which might cause the forfeiture or reversion of title if they were violated.

If the defect in question has the potential for an adverse effect on the use and enjoyment of the improvements and hence, on the value of the property as a whole, a specific waiver should be requested.

- ? The appraiser who completed the appraisal must execute conventional waiver.
- ? VA waiver request must be sent to the appropriate local VA office:
Attn: Valuations.
- ? FHA waiver requests must be sent to the Direct Endorsement underwriter that underwrote the loan. If the waiver request involves a large adjustment in the value of the property, the local FHA office may need to approve.

All waivers should be reviewed and approved prior to closing by the appropriate agency or appraiser listed above.

Examples of defects of this kind are easements, right of way, and encroachments, which are not covered by the General Title Waivers.

- a) Real Estate Taxes: FHA/VA/Conventional/RD – Real Estate Taxes must be followed by the statement, “Taxes that are not yet due and payable”. Outstanding special assessments cited must be followed by the statement, “Special assessments hereafter levied”.

Note: There are no “pending assessments now a lien.”

- b) Restrictions, Covenants and Conditions: FHA/VA/RD/Conventional restrictions, covenants and conditions cited must be followed by the statement, “which have not been violated to date. Any future violations will not result in forfeiture or reversion of title”. Restrictions, covenants and conditions cited that have been violated must be followed by the statements. “This policy insures against all losses or damages by reason of this violation. This policy insures that neither said violation nor any future violation will result in forfeiture or reversion of title.”

The following exceptions are not acceptable on final title policies:

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