

## 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  | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| FHLMC | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| GNMA  | <input type="checkbox"/> Yes | <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No
Permanent Investors' Funds	<input type="checkbox"/> Yes <input type="checkbox"/> No
Warehouse Line of Credit	<input type="checkbox"/> Yes <input type="checkbox"/> No
Other (specify) _____	

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

A. Full personal guarantee of developer	<input type="checkbox"/> Yes <input type="checkbox"/> No
B. Guarantee of developer and spouse	<input type="checkbox"/> Yes <input type="checkbox"/> No
C. Guarantee of completion bond	<input type="checkbox"/> Yes <input type="checkbox"/> No
D. Performance bond	<input type="checkbox"/> Yes <input type="checkbox"/> 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.

**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