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Overview

Summary of Breach of Agreement

The Correspondent company and each loan purchase transaction must conform with the applicable provisions and requirements of the Correspondent Mortgage Lending Agreement (“Agreement”), the Correspondent Lending Manual (“CLM”), the program Announcements issued by Guaranty Home Mortgage Corporation (GHMC) from time to time, agency, investor and secondary market guidelines, and the applicable loan Commitment, each as may be amended or revised from time to time (collectively, the “Contract Documents”).

GHMC considers a loan in default for the reasons stated in the Contract Documents, including but not limited to:

- Breach of any representation, warranty, or covenant as outlined in the Contract Documents
- Failure to provide a complete loan file within 120 days from loan closing/disbursement, as defined by the Contract Documents
- Government loan not insured/guaranteed within 30-days of the loan closing
- Conventional loan has lapsed, insufficient or revoked PMI coverage
- Unmarketable loan
- Document defects that occurred prior to loan purchase, regardless of when the defect is discovered
- Failure to correct any loan defect within 15-calendar days of notice (Web, email or verbal)
- Loans that are not current at the time of delivery to the investor
- Early Payment Default as defined herein
- Repurchase is required by the investor at any time, due to failure of the loan to meet eligibility requirements or any breach of a representation or warranty relating to the origination of the loan
- Misrepresentation or fraud, as determined by GHMC or the investor

Issue Resolution

From a practical perspective, notwithstanding the remedies outlined in this section, GHMC approaches issue resolution and remedies based on common sense business practice.

GHMC expects that issues will be negotiated and resolved in a manner that is satisfactory and fair for GHMC and our business partners.

In general, GHMC will not invoke “blanket” remedies (including, but not limited to, termination of approval, suspension of selling privileges, or failure to honor an outstanding pipeline) as long as Correspondents resolve single loan issues within the timeframes prescribed.

Summary of Remedies

The following remedies may be applied at the discretion of GHMC upon discovery of a breach of the Representations, Warrants and Covenants outlined in the Contract Documents.

- Repurchase
- Offset
- Correction
- Recapture (Early Payoff)
- Other Remedies as permitted by law
- Termination of Correspondent Approval

Note: All remedies are cumulative.

Definition - Early Payment Default (EPD)

If monthly payments payable to GHMC after a mortgage loan is purchased by GHMC from the Correspondent is delinquent as defined below, the Correspondent must, upon receipt of demand from GHMC, repurchase the mortgage loan for an amount calculated as provided below.

- Any payment defaults 30-days delinquent within the first 90-days following GHMC's purchase of the loan.

A mortgage loan will be considered "delinquent" if a payment due on the first day of the month is not received by GHMC or the subsequent investor/servicer on or before the first day of the second month following the month in which such payment was due.

- For example: 30-days – if the January 1st payment for a mortgage loan was not made on or before January 31st the loan would be considered 30-days delinquent.

Exceptions

GHMC does not grant exceptions to the EPD requirements when a loan has been submitted to an AUS. GHMC requires guideline overlays which negate the AUS exception.

GHMC does not grant exceptions to the EPD requirements when a loan has been submitted to a Third Party Contract Underwriter. The EPD responsibility still lies with the Correspondent.



DEFAULT & REMEDIES

GHMC does grant exceptions to the EPD requirements when GHMC has rendered the original underwriting decision to purchase the loan from the Correspondent.

This waiver is effective only if the loan is free of any misrepresentation and/or fraud. (**See: Representations & Warranties/Fraud Defined/Fraud Warranties.**)

Definitions

The following definitions are used in this section.

TERM	GHMC Definition
Servicing Released Premium (SRP)	GHMC does not pay a separate SRP.
Purchase Premium or Gross Premium	A Purchase Premium (or Gross Premium) is that portion of the original purchase price in excess of par (100.00).

Remedies

Repurchase Circumstances

GHMC reserves the right to request repurchase of loans under circumstances that include, but are not limited to:

- The Correspondent breaches any representation, warranty or covenant in the Agreement, or a loan otherwise fails to conform with the applicable requirements for such loan as set forth in the Contract Documents (Seller Guide);
- A complete Loan File is not submitted to GHMC within 90 days from the closing/disbursement date of the Loan, which Loan File contains all of the documents required by the Contract Documents;
- A loan documentation deficiency exists which occurred prior to the date the Loan File was delivered to GHMC, regardless of when the defect was discovered;
- If any payment defaults 30-days delinquent within the first 90-days following GHMC's purchase of the loan (**See Definition - Early Payment Default (EPD)**);
- Any Agency or any other Investor to whom GHMC sells a Conventional Loan or related security requires GHMC to repurchase such Conventional Loan;
- Any FHA or VA loan that is not guaranteed/insured within 30-days from the loan closing (disbursement) date of the loan:
 - GHMC reserves the right to extend this deadline based on documented FHA service constraints. This extension is not considered a change in the requirement.
- The loan is deemed "unsalable" by an Agency or Investor and the loan does not meet the applicable GHMC product requirements.

Repurchase

Upon discovery by the Correspondent of a breach of any representation, warranty or covenant made by the Correspondent with respect to an Individual Mortgage Loan, the Correspondent shall promptly notify GHMC in writing.

Re-consideration Request

In the event of a repurchase demand from an Agency or Investor, GHMC may ask the Correspondent to submit further information to GHMC to provide to the Agency and to request that the Agency or Investor reconsider its repurchase demand.

- GHMC may make such request unless GHMC believes in good faith that there is no basis to request reconsideration or that such request would be injurious to its business relationship with the applicable Agency or Investor. GHMC's determination with respect to any such submission shall be final.

Repurchase Price

The repurchase price for any Loan repurchased shall be the purchase price paid by GHMC or the price GHMC is required to pay to repurchase the Loan from the Agency or Investor, whichever is higher, plus any Gross Premium paid by GHMC to the Correspondent, and any accrued interest and other amounts which GHMC has been required to advance on the Loan.

Repurchase Timing

The Loan shall be repurchased by the Correspondent no later than 15-calendar days after the receipt by the Correspondent of a written demand to repurchase.

- Note: The payment due date is defined in the Repurchase Letter and may be more or less than the days stated in the Agreement or this Correspondent Lending Manual.
- GHMC may, at its option, withhold the payment of the Gross Premium portion (may also be identified as Yield Spread Premium) of the Loan purchase price for subsequent Loans (**See: Offset**) until such time as the Correspondent has complied with all outstanding demands for repurchase price for subsequent Loans until such time as GHMC has complied with all outstanding demands for repurchase and provided all delinquent loan documentation.

Important Reminder: The end investor continues to service loans eligible for repurchase through the date of the repurchase. Costs continue to accrue until the repurchase has been completed. The Correspondent is responsible for all additional costs.

Make Whole

In lieu of a Repurchase, the investor may require a "Make Whole" (when the loan has been foreclosed and the property has been sold).

Price

The price for a Make Whole is the total of the following amounts:

- (a) Amount billed to GHMC by the investor for the investor's loss resulting from the foreclosure and sale of the property
- (b) The Gross Premium Price paid to the Correspondent by GHMC
- (c) Any accrued interest and other amounts advanced by GHMC on the loan

Timing Requirements

The Correspondent must pay the Make Whole amount no later than 10 calendar days after the receipt of the written request from GHMC.

Note: The payment due date is defined in the demand/invoice letter and may be more or less than the days stated in this Correspondent Lending Manual.

Offset

In the event that the Correspondent fails to pay GHMC any sums which are owed to GHMC by the Correspondent pursuant to the terms of the Agreement or any other loan purchase agreement between the GHMC and the Correspondent (including Correspondent's predecessors and affiliates), GHMC shall be permitted to offset such sums from any amounts which are due or become due to the Seller pursuant to the terms of the Agreement.

- GHMC reserves the right to deduct the offset amount from the Gross Premium (amounts identified as Yield Spread Premium) on any loan ready to fund. (Funding Deduction)
- GHMC may, in its sole discretion, make the determination when to offset monies owed by the Correspondent. (i.e., when the outstanding fee amounts reach a threshold or when the outstanding invoices reach a defined deadline, etc.)
- Failure to offset under a certain set of circumstances does not waive GHMC's right to Offset for outstanding fees and monies owed by the Correspondent.

Correction

The Correspondent is responsible to correct any loan or document deficiencies that make the loan unsaleable.

Although reasonable efforts are made to ensure that loan or document deficiencies are corrected prior to purchase by GHMC, deficiencies are sometimes discovered after purchase.

In some cases, for expediency or based on GHMC's interpretation of applicable laws, regulations, and agency/investor requirements, GHMC will correct the loan problem. The Correspondent is responsible to reimburse GHMC for any costs incurred to make the correction.

GHMC's correction of any error or deficiency in a mortgage loan document shall not be deemed a waiver of any rights GHMC may have with respect to the Correspondent in connection with the related mortgage loan.

Recapture (Early Pay Off)

In the event that any Loan purchased by GHMC is paid in full, within 180 days of the date such Loan was purchased by GHMC, the Correspondent hereby agrees to repay GHMC the Gross Premium (Yield Spread Premium / Service Release Premium) portion of the purchase price paid by GHMC, no later than 10-calendar days from receipt of the invoice (demand).

- **Note:** The payment due date is defined in the letter/invoice and may be more or less than the days stated in this Seller Guide.
 - GHMC monitors such pay offs and will invoice the Correspondent for recapture of early pay offloans.
 - If GHMC, in its sole discretion, elects to waive this recapture fee at any time, such waiver shall not be deemed a waiver of GHMC's right to enforce this provision.
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Termination

With Prior Notice

GHMC may, in its sole discretion and upon 5- days' prior written notice to the Seller, terminate its obligations in the Agreement without liability whatsoever to the Correspondent or any other person for claims, losses, expenses, costs, obligations and liabilities arising directly or indirectly therefrom. In the event of such termination, the Correspondent shall nevertheless deliver to GHMC all Loans for which Commitments have been issued by GHMC.

- Such termination shall not affect the Correspondent's duties and obligations with regard to any Loans purchased by GHMC prior to the date of termination.

Immediate - Without Prior Notice

GHMC may, in its sole discretion, immediately terminate its obligations under the Agreement without liability whatsoever to the Correspondent or any other person for claims, losses, expenses, costs, obligations and liabilities arising directly or indirectly therefrom, in the event of the Correspondent's breach of any representation or warranty or default in the performance of any covenant in the Agreement or in any other loan purchase agreement between GHMC and the Correspondent (including the Correspondent's predecessors and affiliates). In the event of termination pursuant to the terms of the Agreement Section 11 (b), GHMC may, at its option, either:

- (i) refuse to accept delivery of any additional Loans for which Commitments have been issued, or
 - (ii) require the Correspondent to deliver the additional Loan(s) which GHMC has committed to purchase and withhold the payment of any Gross Premium for such Loan(s) until such time as the Seller has fully performed all of its duties and obligations as to all Loans sold to the GHMC under the terms of the Contract Documents.
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Remedies Cumulative

All rights and remedies of GHMC under the Agreement are in addition to all other rights and remedies available to GHMC in law or equity.

GHMC may exercise its rights and remedies concurrently, independently or in succession and all such rights and remedies shall inure to the benefit of GHMC, its successors and/or assigns.

The failure of GHMC to exercise any of its remedies under the Agreement or any other of the Contract Documents with respect to a breach or default of the Correspondent does not constitute a waiver of such remedy with respect to such breach or default or any subsequent breach or default.

Non-Waiver of Rights

GHMC may elect, on single or multiple loans, in its sole discretion, to waive any of the remedies outlined in the Contract Documents upon such terms and conditions as GHMC may establish, provided however, that any such election as to such waiver shall not be deemed a waiver of the GHMC's right to enforce the remedy provisions as to any other Loan.